

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968 as amended Filing is mandatory

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Manistee	County Manistee
Audit Date June 30, 2005	Opinion Date September 30, 2005	Date Accountant Report Submitted to State: December 19, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised
2. We are certified public accountants registered to practice in Michigan

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |   |
|---|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1 | Certain component units/funds/agencies of the local unit are excluded from the financial statements   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2 | There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980)  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3 | There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended)  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4 | The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5 | The local unit holds deposits/investments which do not comply with statutory requirements (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132])  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6 | The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7 | The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year) |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8 | The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241)   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9 | The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95)  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON ANNETTE EUSTICE, CPA, CGFM			
Street Address 250 EAST FRONT STREET	City TRAVERSE CITY	State MI	Zip 49684
Accountant Signature <i>Annette Eustice, CPA, CGFM</i>			



**Manistee, Michigan**

**FINANCIAL STATEMENTS**

**For the Fiscal Year Ended  
June 30, 2005**



**REHMANN ROBSON**

*Certified Public Accountants*

# CITY OF MANISTEE, MICHIGAN

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**REHMANN ROBSON**

*Certified Public Accountants*

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*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT**

September 30, 2005

The Honorable Mayor and  
Members of the City Council  
City of Manistee  
Manistee, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the **City of Manistee, Michigan** (the "City"), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Manistee Housing Commission and Downtown Development Authority, which represents 91% and 4% of the assets and 74% and 15% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar, as it relates to the amounts included for the City of Manistee's Housing Commission and Downtown Development Authority, discrete component units, is based on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The Housing Commission auditors were not engaged to audit the statement of revenues, expenses, and changes in net assets and the statement of cash flows. We did not extend our auditing procedures to enable us to express an opinion on the results of operations and cash flows for the year ended December 31, 2004. Accordingly, we express no opinion on them.

In our opinion, based on our audit and the reports of other auditors, except for the City of Manistee's Housing Commission's report exception noted above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General and Public Improvement Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV I, the Housing Commission adopted the provisions of Governmental Accounting Standards Board Statement Nos. 34, 37 and 38 and GASB Interpretation 6 as of and for the year ended January 1, 2004. This results in a change to the Housing Commission's format and content of the basic financial statements.

The Management's Discussion and Analysis listed on pages 3-11 and the schedule of funding progress on page 51 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

## **Management's Discussion and Analysis**

The management of the *City of Manistee, Michigan* (the "City"), presents readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. This analysis is intended to assist the reader in focusing on significant financial issues and to provide a general overview of the City's financial activity.

### **Financial Highlights**

- The assets of the City (primary government) exceeded its liabilities at the close of the most recent fiscal year by \$25,625,159 (net assets). Of this amount, \$5,037,807 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$280,917.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,059,152 a decrease of \$2,106,017 from the prior year.
- At the end of the current fiscal year, the total General Fund balance was \$1,256,500; and unreserved, undesignated fund balance was \$1,146,408 or 22% percent of total General Fund expenditures and transfers out.
- The City's total governmental activities long-term debt increased by \$29,295 due to the issuance of a note payable for a skid steer loader and decreased in the amount of \$431,630 because of scheduled principal payments.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include legislative, general government, public safety, public works, and recreation and culture. The business-type activities of the City include water and sewer, marina and boat ramp operations.

The government-wide financial statements include not only the City (known as the primary government), but also legally separate entities - the Downtown Development Authority, Local Development Finance Authority, Manistee Housing Commission, and the Ramsdell Theater Restoration Project; which are *discretely presented component units* of the City. Financial information for these *component units* are reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 12-14 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Public Improvement, and Capital Improvement Bonds Funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 15-20 of this report.



*Proprietary Funds* are also maintained by the City. There are two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, marina and boat ramp operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its motor pool. Because these services benefit general, major and local streets, and water and sewer fund functions, the services have been allocated between the governmental and business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains four individual proprietary funds. Information is presented separately in the proprietary fund balance sheet and in the proprietary fund statement of revenues, expenses and changes in net assets for Water and Sewer Fund, which is considered to be a major fund of the City. Data from the other proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 21-26 of this report and in the business-type activities in the government-wide financial statements.

*Fiduciary Funds:* Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They should be read thoroughly as part of any review of the City's financial statements. The notes to the financial statements can be found on pages 29-50 of this report.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds and component units are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 52-93 of this report.

## **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$25,625,159 at the close of the most recent fiscal year.

The largest portion of the City's net assets (52%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

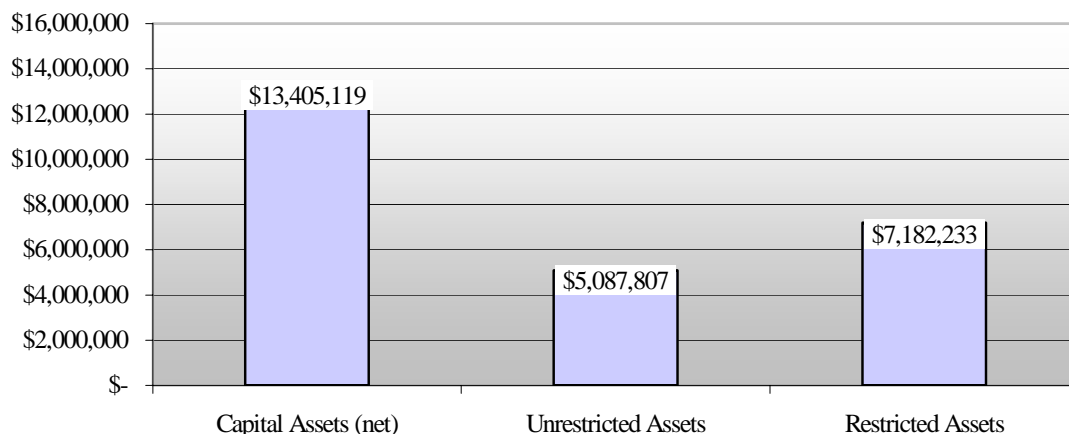
**City of Manistee**  
**Net Assets as of June 30, 2005**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$10,775,782	\$12,896,390	\$2,335,116	\$2,679,568	\$13,110,898	\$15,575,958
Capital assets	<u>14,557,811</u>	<u>12,472,332</u>	<u>17,417,773</u>	<u>17,642,193</u>	<u>31,975,584</u>	<u>30,114,525</u>
Total assets	<u>25,333,593</u>	<u>25,368,722</u>	<u>19,752,889</u>	<u>20,321,761</u>	<u>45,086,482</u>	<u>45,690,483</u>
Long-term liabilities outstanding	7,359,068	7,734,455	11,589,336	12,111,417	18,948,404	19,845,872
Other liabilities	<u>377,429</u>	<u>386,347</u>	<u>135,490</u>	<u>146,151</u>	<u>512,919</u>	<u>532,498</u>
Total liabilities	<u>7,736,497</u>	<u>8,120,802</u>	<u>11,724,826</u>	<u>12,257,568</u>	<u>19,461,323</u>	<u>20,378,370</u>
Net assets						
Invested in capital assets, net of related debt	7,547,346	4,854,757	5,857,773	5,557,193	13,405,119	10,411,950
Restricted assets	6,414,380	6,380,494	767,853	765,860	7,182,233	7,146,354
Unrestricted	<u>3,635,370</u>	<u>6,012,669</u>	<u>1,402,437</u>	<u>1,741,140</u>	<u>5,087,807</u>	<u>7,753,809</u>
<b>Total net assets</b>	<b><u>\$17,597,096</u></b>	<b><u>\$17,247,920</u></b>	<b><u>\$8,028,063</u></b>	<b><u>\$8,064,193</u></b>	<b><u>\$25,625,159</u></b>	<b><u>\$25,312,113</u></b>

A portion of the City's net assets (28%) represents resources that are subject to external restrictions on how they may be used both for the City as a whole, as well as for its separate governmental and business-type activities. The balance in *restricted assets* reflects the charter-protected Public Improvement Fund and the City's Bond Debt reserve. The remaining balance of *unrestricted net assets* (20%) may be used to meet the City's ongoing obligations to citizens and creditors.

The government's net assets increased by \$280,917 during the current fiscal year. Governmental activities showed an increase of \$317,047 while business-type activities showed a decrease of \$36,130. The overall increase is largely attributed to the increase in taxable value, and the decrease in the business-type activities is largely attributable to depreciation in the Water and Sewer fund that was not fully funded.

**Net Assets**



## Financial Analysis of the City's Funds

The following table illustrates and summarizes the aforementioned results of change in Net Assets for the City and was derived from the Government-Wide Statement of Activities

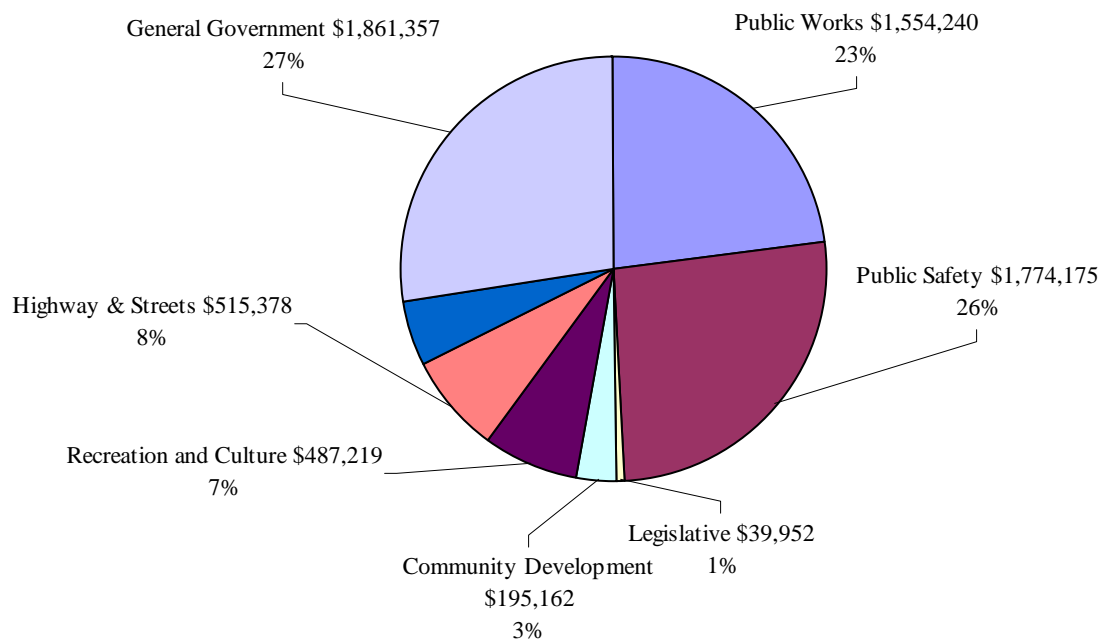
### City of Manistee's Change in Net Assets For the Fiscal Year Ended June 30, 2005

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Program Revenue</b>						
Charges for services	\$ 1,456,529	\$ 1,206,188	\$2,562,264	\$ 2,434,112	\$ 4,018,793	\$ 3,640,300
Operating grants and contributions	1,092,731	1,519,848	1,179	-	1,093,910	1,519,848
<b>General Revenue</b>						
Property taxes	3,602,912	3,483,002	-	-	3,602,912	3,483,002
Grants and contributions not restricted to specific programs	772,019	779,393	-	-	772,019	779,393
Contributions to permanent endowment	29,872	-	-	-	29,872	-
Other	<u>337,382</u>	<u>374,553</u>	<u>44,189</u>	<u>81,424</u>	<u>381,571</u>	<u>455,977</u>
<b>Total Revenues</b>	<b><u>7,291,445</u></b>	<b><u>7,362,984</u></b>	<b><u>2,607,632</u></b>	<b><u>2,515,536</u></b>	<b><u>9,899,077</u></b>	<b><u>9,878,520</u></b>
<b>Expenses</b>						
Legislative	39,952	36,812	-	-	39,952	36,812
General government	1,861,357	1,820,041	-	-	1,861,357	1,820,041
Highway & streets	515,378	493,667	-	-	515,378	493,667
Public safety	1,774,175	1,667,002	-	-	1,774,175	1,667,002
Public works	1,554,240	1,556,252	-	-	1,554,240	1,556,252
Community development	195,162	685,057	-	-	195,162	685,057
Recreation and culture	487,219	532,916	-	-	487,219	532,916
Interest on long-term debt	329,764	277,266	-	-	329,764	277,266
Water & sewer utility	-	-	2,681,508	2,692,477	2,681,508	2,692,477
Marina & boat ramp	-	-	<u>179,405</u>	<u>159,449</u>	<u>179,405</u>	<u>159,449</u>
<b>Total Expenses</b>	<b><u>6,757,247</u></b>	<b><u>7,069,013</u></b>	<b><u>2,860,913</u></b>	<b><u>2,851,926</u></b>	<b><u>9,618,160</u></b>	<b><u>9,920,939</u></b>
Increase (decrease) in net assets before transfers	534,198	293,971	(253,281)	(336,390)	280,917	(42,419)
Transfers	<u>(217,151)</u>	<u>(246,804)</u>	<u>217,151</u>	<u>246,804</u>	-	-
<b>Increase (decrease) in net assets</b>	<b>317,047</b>	<b>47,167</b>	<b>(36,130)</b>	<b>(89,586)</b>	<b>280,917</b>	<b>(42,419)</b>
Net assets – beginning of year, as restated	<u>17,280,049</u>	<u>17,200,753</u>	<u>8,064,193</u>	<u>8,153,779</u>	<u>25,344,242</u>	<u>25,354,532</u>
<b>Net assets – end of year</b>	<b><u>\$17,597,096</u></b>	<b><u>\$17,247,920</u></b>	<b><u>\$8,028,063</u></b>	<b><u>\$ 8,064,193</u></b>	<b><u>\$25,625,159</u></b>	<b><u>\$ 25,312,113</u></b>

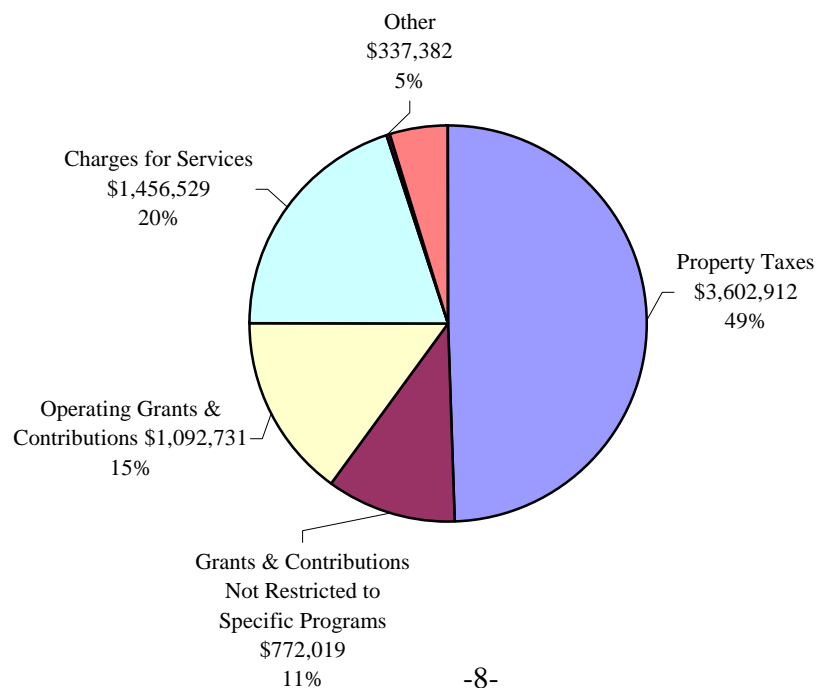
*Governmental Activities.* Governmental activities increased the City's net assets by \$317,047, or less than .2 percent. Key elements of this performance are as follows:

- Property tax revenue increased.
- Expenses were largely held in check versus budget.
- Overall grant contribution and community development expenses decreased because of two large MSHDA grants that occurred in the prior year.

#### Governmental Activities - Expenses



#### Governmental Activities - Revenues



**Business-Type Activities.** Business-type activities decreased the City's net assets by \$(36,130) or less than (.1%) of one percent. Key elements of this performance are as follows:

- The Water and Sewer Fund did not fully fund its asset depreciation for the year, resulting in a net loss in the fund.
- Revenues in the Water and Sewer Fund are subsidized by transfers in from the Public Improvement Fund. A greater net loss would have occurred if not for this transfer.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds.* The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,059,152, a decrease of \$2,106,017 in comparison with the prior year. The decrease is due mainly to the expenditure of bond proceeds for the renovation of City Hall.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the General Fund was \$1,256,500, and it had a balance of \$1,146,408 that was unreserved and undesignated. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures, including transfers out. Unreserved fund balance represents 22% percent of total General Fund expenditures including transfers out.

The General Fund balance increased by \$42,084 during the current fiscal year. This is primarily attributable to, on the revenue side, higher fines and forfeits, charges for service and miscellaneous revenue. On the expenditures side, lower pension expense and general fiscal restraint across operating departments resulted in lower expenses.

The Public Improvement Fund has a total fund balance of \$6,414,380, which increased by \$33,886 during the year. This increase is due entirely to oil & gas royalties received. Higher crude oil prices during the year were mitigated somewhat by declining production, which has been taking place for a number of years now. The City Charter prevents the principal of this fund to be spent without a vote of the people.

*Proprietary Funds.* The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of Water and Sewer, Municipal Marina and the Boat Ramps Funds at the end of the year amounted to \$1,364,569, restricted assets of \$767,853 and capital assets net of related debt of \$5,857,773. The Water and Sewer Fund had a decrease in net assets for the year of \$(41,326), the Municipal Marina and Boat Ramp had a decrease of \$(24,379). The Water and Sewer Fund continues to operate without funding depreciation fully. The fund experienced a reduction in cash this year due to the capital outlay necessary to repaint the industrial park water tower, and replace some key pumps. These improvements were paid for entirely out of internal reserves; no external financing was necessary.

## General Fund Budgetary Highlights

During the year, General Fund revenues were over amended budgetary estimates by \$32,179 while other financing sources, namely net transfers, were above by \$2,583 for a total revenue variance of \$34,762. In addition, actual expenditures were under budgetary estimates by \$222,496. As a result, the fund balance increased by \$42,084 which was more than the budgeted estimate of (\$225,079).

## Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounted to \$31,975,584 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, bridges and construction in progress. The total net increase in the City's investment in capital assets for the current fiscal year was \$1,861,062.

Major capital asset events during the current fiscal year included the following:

- Renovation of City Hall with an approximate cost of \$2,900,000.
- Painting of the industrial park water tower.

### *City of Manistee's Capital Assets* (net of depreciation)

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
Land	\$ 1,700,189	\$ -	\$ 1,700,189
Construction in progress	2,752,774	-	2,752,774
Land improvements	3,787,260	5,000	3,792,260
Buildings and structures	1,621,315	17,346,831	18,968,146
Furniture and equipment	673,340	65,942	739,282
Vehicles	1,057,510	-	1,057,510
Infrastructure	<u>2,965,423</u>	<u>-</u>	<u>2,965,423</u>
<b>Total</b>	<b><u>\$ 14,557,811</u></b>	<b><u>\$ 17,417,773</u></b>	<b><u>\$ 31,975,584</u></b>

Additional information on the City's capital assets can be found in Note III.C on pages 38-40 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the City had total bonded debt and lease payables of \$18,775,240. Of this amount, \$9,810,000 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents capital leases, loans and bonds secured solely by specified revenue sources (i.e., revenue bonds).

**City of Manistee's Outstanding Debt**  
General Obligation and Revenue Bonds

	<u><b>Governmental Activities</b></u>	<u><b>Business-type Activities</b></u>	<u><b>Total</b></u>
General obligation bonds	\$ 5,565,000	\$ 4,245,000	\$ 9,810,000
Lease payable	577,702	-	577,702
MEDC Loan	1,072,538	-	1,072,538
Revenue bonds	<u>-</u>	<u>7,315,000</u>	<u>7,315,000</u>
<b>Total</b>	<b><u>\$ 7,215,240</u></b>	<b><u>\$ 11,560,000</u></b>	<b><u>\$ 18,775,240</u></b>

The City's and Component Unit total debt decreased by \$987,735.

The City has a "AA" rating from Standard & Poor's for its Michigan Transportation Fund Bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% percent of its total assessed valuation. The current debt limitation for the City is \$17,202,306, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note III.E on pages 42-44 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following significant factors were considered in preparing the City's budget for the 2005-06 fiscal year:

- An increase of 10% in health care costs.
- No reduction in State Revenue Sharing funds.
- An increase in property tax revenue of 4.4%

Subsequent to the budget being prepared, the City received word that its health insurance premiums would see a 1.4% reduction, which will result in a positive budget variance.

### **Requests for Information**

This discussion and analysis is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, PO Box 358, Manistee, Michigan 49660 or via email at [ebroadford@ci.manistee.mi.us](mailto:ebroadford@ci.manistee.mi.us) or by visiting our website.

## **BASIC FINANCIAL STATEMENTS**



## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF MANISTEE**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2005**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,863,384	\$ 701,246	\$ 4,564,630
Investments	6,305,250	199,850	6,505,100
Receivables	117,223	427,729	544,952
Due from other governments	392,362	-	392,362
Internal balances	(45,020)	45,020	-
Prepaid items	49,405	11,777	61,182
Inventory	-	8,970	8,970
Restricted cash	-	467,853	467,853
Restricted investments	-	300,000	300,000
Deferred charges	93,178	172,671	265,849
Land	1,700,189	-	1,700,189
Construction in progress	2,752,774	-	2,752,774
Capital assets, net	10,104,848	17,417,773	27,522,621
<b>TOTAL ASSETS</b>	<b>25,333,593</b>	<b>19,752,889</b>	<b>45,086,482</b>
<b>LIABILITIES</b>			
Accounts payable	169,044	51,816	220,860
Accrued liabilities	31,722	7,325	39,047
Accrued interest payable	151,057	54,449	205,506
Customer deposits	25,606	21,900	47,506
Unearned Revenues	-	-	-
Long-term liabilities			
Due within one year	430,822	545,000	975,822
Due in more than one year	6,928,246	11,044,336	17,972,582
<b>TOTAL LIABILITIES</b>	<b>7,736,497</b>	<b>11,724,826</b>	<b>19,461,323</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,547,346	5,857,773	13,405,119
Restricted for			
Debt service	-	767,853	767,853
Expendable portion of Public Improvement Fund	50,818	-	50,818
Nonexpendable portion of Public Improvement Fund	6,363,562	-	6,363,562
Unrestricted	3,635,370	1,402,437	5,037,807
<b>TOTAL NET ASSETS</b>	<b>\$ 17,597,096</b>	<b>\$ 8,028,063</b>	<b>\$ 25,625,159</b>

The accompanying notes are an integral part of these financial statements.

COMPONENT				
UNITS				
LOCAL DISTRICT FINANCE AUTHORITY		RAMSDELL THEATRE	HOUSING COMMISSION (UNAUDITED)	DOWNTOWN DEVELOPMENT AUTHORITY
\$	-	\$ 15,834	\$ 269,499	\$ 293,672
	-	-	-	-
	-	12,336	2,279	6,150
	-	-	23,917	619
	-	-	-	-
	-	-	34,046	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	357,478	-
	-	-	33,917	-
	-	-	3,043,033	-
	-	28,170	3,764,169	300,441
	-	-	47,090	5,258
	-	-	160,786	-
	-	-	-	920
	-	-	13,004	-
	-	-	5,332	5,850
	-	-	-	60,000
	-	-	-	-
	-	-	226,212	72,028
	-	-	3,434,428	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	28,170	103,529	228,413
\$	-	\$ 28,170	\$ 3,537,957	\$ 228,413

**CITY OF MANISTEE**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2005**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
Legislative	\$ 39,952	\$ -	\$ -	\$ -	\$ (39,952)
General government	1,861,357	1,110,265	338,822	-	(412,270)
Highway and streets	515,378	191,050	579,962	-	255,634
Police	1,089,590	-	-	-	(1,089,590)
Fire	659,484	-	-	-	(659,484)
Public safety	25,101	10,701	6,880	-	(7,520)
Public works	1,554,240	144,513	81,235	-	(1,328,492)
Community development	195,162	-	48,558	-	(146,604)
Recreation and cultural	487,219	-	37,274	-	(449,945)
Interest expense on long-term debt	329,764	-	-	-	(329,764)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>6,757,247</b>	<b>1,456,529</b>	<b>1,092,731</b>	<b>-</b>	<b>(4,207,987)</b>
Business-type activities					
Water and sewer	2,681,508	2,410,776	-	-	(270,732)
Boat ramp	55,025	41,348	-	-	(13,677)
Marina	124,380	110,140	1,179	-	(13,061)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>2,860,913</b>	<b>2,562,264</b>	<b>1,179</b>	<b>-</b>	<b>(297,470)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 9,618,160</b>	<b>\$ 4,018,793</b>	<b>\$ 1,093,910</b>	<b>\$ -</b>	<b>\$ (4,505,457)</b>
<b>COMPONENT UNITS</b>					
Local district finance authority	208,137	2,386	-	-	(205,751)
Ramsdell theatre	15,068	-	68,568	-	53,500
Housing commission (unaudited)	1,066,653	-	872,003	325,831	131,181
Downtown development authority	119,511	17,450	-	-	(102,061)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 1,409,369</b>	<b>\$ 19,836</b>	<b>\$ 940,571</b>	<b>\$ 325,831</b>	<b>\$ (123,131)</b>

**CITY OF MANISTEE**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2005**

<b>FUNCTIONS/PROGRAMS</b>	<b>PRIMARY GOVERNMENT</b>		<b>TOTAL</b>
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS TYPE ACTIVITIES</b>	
<b>CHANGE IN NET ASSETS</b>			
Net (expense) revenue	\$ (4,207,987)	\$ (297,470)	\$ (4,505,457)
General revenues			
Property taxes	3,602,912	-	3,602,912
Grants and contributions not restricted to specific programs	772,019	-	772,019
Unrestricted investment earnings	335,384	35,733	371,117
Other revenues	1,998	8,456	10,454
Contribution to permanent endowment	29,872	-	29,872
Internal transfers	(217,151)	217,151	-
<b>TOTAL GENERAL REVENUES, CONTRIBUTIONS AND TRANSFERS</b>	<b>4,525,034</b>	<b>261,340</b>	<b>4,786,374</b>
<b>CHANGE IN NET ASSETS</b>	<b>317,047</b>	<b>(36,130)</b>	<b>280,917</b>
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	17,280,049	8,064,193	25,344,242
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 17,597,096</b>	<b>\$ 8,028,063</b>	<b>\$ 25,625,159</b>

Continued...

The accompanying notes are an integral part of these financial statements.

**COMPONENT  
UNITS**

<b>LOCAL DISTRICT FINANCE AUTHORITY</b>	<b>RAMSDELL THEATRE</b>	<b>HOUSING COMMISSION (UNAUDITED)</b>	<b>DOWNTOWN DEVELOPMENT AUTHORITY</b>
\$ (205,751)	\$ 53,500	\$ 131,181	\$ (102,061)
-	-	-	255,150
-	-	-	-
1,595	106	1,708	3,971
-	-	-	562
-	-	-	-
-	-	-	-
<b>1,595</b>	<b>106</b>	<b>1,708</b>	<b>259,683</b>
<b>(204,156)</b>	<b>53,606</b>	<b>132,889</b>	<b>157,622</b>
204,156	(25,436)	3,405,068	70,791
<b>\$ -</b>	<b>\$ 28,170</b>	<b>\$ 3,537,957</b>	<b>\$ 228,413</b>

Concluded

## **FUND FINANCIAL STATEMENTS**

# CITY OF MANISTEE

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2005

	General Fund	Public Improvement Fund	Capital Improvement Bonds Fund	Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 904,376	\$ 261,418	\$ 366,784	\$ 1,921,349	\$ 3,453,927
Investments	99,250	6,156,000	-	50,000	6,305,250
Receivables					
Accounts	47,632	-	-	23,741	71,373
Taxes	2,717	-	-	38,499	41,216
Interest	521	4,113	-	-	4,634
Due from other governments	242,419	-	-	149,943	392,362
Due from other funds	18,376	-	-	-	18,376
Prepaid items	49,405	-	-	-	49,405
<b>TOTAL ASSETS</b>	<b>\$ 1,364,696</b>	<b>\$ 6,421,531</b>	<b>\$ 366,784</b>	<b>\$ 2,183,532</b>	<b>\$ 10,336,543</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 51,742	\$ -	\$ 88,631	\$ 24,176	\$ 164,549
Accrued liabilities	30,848	-	-	-	30,848
Deposits held	25,606	-	-	-	25,606
Due to other funds	-	7,151	-	18,376	25,527
Deferred revenue	-	-	-	30,861	30,861
<b>Total liabilities</b>	<b>108,196</b>	<b>7,151</b>	<b>88,631</b>	<b>73,413</b>	<b>277,391</b>
<b>Fund balances</b>					
Reserved					
Prepaid items	49,405	-	-	-	49,405
Public improvement	-	6,363,562	-	-	6,363,562
Debt retirement	-	-	-	80,139	80,139
Capital projects	-	-	-	316,467	316,467
Unreserved					
Designated for subsequent years expenditures					
General fund	60,687	-	-	-	60,687
Special revenue funds	-	-	-	196,255	196,255
Undesignated	1,146,408	50,818	278,153	-	1,475,379
Undesignated, reported in nonmajor Special revenue funds	-	-	-	1,517,258	1,517,258
<b>Total fund balances</b>	<b>1,256,500</b>	<b>6,414,380</b>	<b>278,153</b>	<b>2,110,119</b>	<b>10,059,152</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,364,696</b>	<b>\$ 6,421,531</b>	<b>\$ 366,784</b>	<b>\$ 2,183,532</b>	<b>\$ 10,336,543</b>

Continued...

The accompanying notes are an integral part of these financial statements.



**CITY OF MANISTEE**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**JUNE 30, 2005**

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**Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
to Net Assets of Governmental Activities on the Statement of Net Assets**

Fund balances - total governmental funds \$ 10,059,152

Amounts reported for governmental activities in the statement of net assets are different because:

Certain assets used in governmental activities, such as capital assets, are not financial resources, and therefore not reported in the funds.

Add: capital assets	16,749,367
Subtract: accumulated depreciation	(3,299,310)
Add: deferred charges	100,733
Subtract: accumulated amortization	(7,555)

Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds. 29,988

An internal service fund is used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in internal service funds 929,762

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.

Subtract: bonds payable	(5,565,000)
Subtract: notes payable	(41,338)
Subtract: accrued interest on long-term liabilities	(142,337)
Subtract: Michigan Economic Development Corporation Loan	(1,072,538)
Subtract: accrued compensated absences	(143,828)

**Net assets of governmental activities** **\$ 17,597,096**

Concluded

The accompanying notes are an integral part of these financial statements.

**CITY OF MANISTEE**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>General Fund</b>	<b>Public Improvement Fund</b>	<b>Capital Improvement Bonds Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
<b>REVENUES</b>					
Taxes	\$ 3,193,838	\$ -	\$ -	\$ 409,074	\$ 3,602,912
Federal sources	5,585	-	-	202,802	208,387
State sources	772,019	-	-	615,356	1,387,375
Rental income	-	-	-	30,000	30,000
Charges for services	681,710	-	-	449,261	1,130,971
Licenses and permits	6,152	-	-	-	6,152
Fines and forfeits	80,143	-	-	-	80,143
Interest revenue	30,100	221,264	37,572	38,931	327,867
Reimbursement	-	-	-	144,036	144,036
Miscellaneous	309,659	29,872	-	25,556	365,087
<b>TOTAL REVENUES</b>	<b>5,079,206</b>	<b>251,136</b>	<b>37,572</b>	<b>1,915,016</b>	<b>7,282,930</b>
<b>EXPENDITURES</b>					
Current operations					
Legislative	39,952	-	-	-	39,952
General government	1,608,994	99	-	103,973	1,713,066
Public safety	1,647,705	-	-	14,277	1,661,982
Highways and streets	145,987	-	-	417,505	563,492
Public works	941,249	-	-	544,225	1,485,474
Community development	-	-	-	124,081	124,081
Recreation and cultural	331,938	-	-	-	331,938
Appropriations and other	259,011	-	-	-	259,011
Debt service					
Principal	-	-	-	270,000	270,000
Interest expense	-	-	-	252,513	252,513
Capital outlay	-	-	2,470,287	-	2,470,287
<b>TOTAL EXPENDITURES</b>	<b>4,974,836</b>	<b>99</b>	<b>2,470,287</b>	<b>1,726,574</b>	<b>9,171,796</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>104,370</b>	<b>251,037</b>	<b>(2,432,715)</b>	<b>188,442</b>	<b>(1,888,866)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	112,583	-	-	341,104	453,687
Transfers out	(174,869)	(217,151)	-	(278,818)	(670,838)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(62,286)</b>	<b>(217,151)</b>	<b>-</b>	<b>62,286</b>	<b>(217,151)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>42,084</b>	<b>33,886</b>	<b>(2,432,715)</b>	<b>250,728</b>	<b>(2,106,017)</b>
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	1,214,416	6,380,494	2,710,868	1,859,391	12,165,169
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 1,256,500</b>	<b>\$ 6,414,380</b>	<b>\$ 278,153</b>	<b>\$ 2,110,119</b>	<b>\$ 10,059,152</b>

Continued...

The accompanying notes are an integral part of these financial statements.

**CITY OF MANISTEE**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

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**Reconciliation of the Statement of Revenues, Expenditures and Change in Fund  
Balances of Governmental Funds to the Statement of Activities**

Net change in fund balances - total governmental funds	\$ (2,106,017)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	2,552,903
Subtract: depreciation expense	(328,314)

Governmental funds report bond issuance costs as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as amortization expense.

Subtract: amortization expense	(5,037)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	222,484
--	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Subtract: increase in the accrual of compensated absences	(26,948)
Subtract: increase in accrued interest on long-term liabilities	(51,109)

An internal service fund is used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

Add: interest revenue from governmental internal service fund	7,517
Add: other revenue from governmental internal service fund	998
Subtract: interest expense from governmental internal service fund	(26,143)
Add: net revenue of certain activities of the internal service fund reported with governmental activities	<u>76,713</u>

<b>Change in net assets of governmental activities</b>	<b><u>\$ 317,047</u></b>
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Concluded

The accompanying notes are an integral part of these financial statements.

**CITY OF MANISTEE**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Taxes	\$ 3,137,867	\$ 3,186,552	\$ 3,193,838	\$ 7,286
Federal sources	10,000	5,585	5,585	-
State sources	799,929	776,379	772,019	(4,360)
Charges for services	661,874	670,692	681,710	11,018
Licenses and permits	10,500	6,067	6,152	85
Fines and forfeits	40,000	80,007	80,143	136
Interest revenue	25,000	27,158	30,100	2,942
Miscellaneous	124,000	294,587	309,659	15,072
<b>TOTAL REVENUES</b>	<b>4,809,170</b>	<b>5,047,027</b>	<b>5,079,206</b>	<b>32,179</b>
<b>EXPENDITURES</b>				
Current operations				
Legislative	43,595	43,595	39,952	(3,643)
General government	1,465,357	1,682,214	1,608,994	(73,220)
Public safety	1,633,332	1,662,732	1,647,705	(15,027)
Highways and streets	149,362	157,362	145,987	(11,375)
Public works	947,926	956,022	941,249	(14,773)
Recreation and cultural	352,133	352,133	331,938	(20,195)
Appropriations	158,913	158,913	159,011	98
Other	100,000	175,000	100,000	(75,000)
<b>TOTAL EXPENDITURES</b>	<b>4,850,618</b>	<b>5,187,971</b>	<b>4,974,836</b>	<b>(213,135)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(41,448)</b>	<b>(140,944)</b>	<b>104,370</b>	<b>245,314</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	110,000	110,000	112,583	2,583
Transfers out	(184,869)	(174,869)	(174,869)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(74,869)</b>	<b>(64,869)</b>	<b>(62,286)</b>	<b>2,583</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(116,317)</b>	<b>(205,813)</b>	<b>42,084</b>	<b>247,897</b>
FUND BALANCE, BEGINNING OF YEAR	1,214,416	1,214,416	1,214,416	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 1,098,099</b>	<b>\$ 1,008,603</b>	<b>\$ 1,256,500</b>	<b>\$ 247,897</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF MANISTEE**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
PUBLIC IMPROVEMENT FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>				
Interest revenue	\$ 251,000	\$ 251,000	\$ 221,264	\$ (29,736)
Miscellaneous	<u>70,000</u>	<u>70,000</u>	<u>29,872</u>	<u>(40,128)</u>
<b>TOTAL REVENUES</b>	<b>321,000</b>	<b>321,000</b>	<b>251,136</b>	<b>(69,864)</b>
<b>EXPENDITURES</b>				
General government	<u>1,000</u>	<u>1,000</u>	<u>99</u>	<u>(901)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>320,000</b>	<b>320,000</b>	<b>251,037</b>	<b>(68,963)</b>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(217,151)</u>	<u>32,849</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>70,000</b>	<b>70,000</b>	<b>33,886</b>	<b>(36,114)</b>
FUND BALANCE, BEGINNING OF YEAR	<u>6,380,494</u>	<u>6,380,494</u>	<u>6,380,494</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<b><u>\$ 6,450,494</u></b>	<b><u>\$ 6,450,494</u></b>	<b><u>\$ 6,414,380</u></b>	<b><u>\$ (36,114)</u></b>

The accompanying notes are an integral part of these financial statements.

**CITY OF MANISTEE**

**STATEMENT OF NET ASSETS**

**PROPRIETARY FUNDS**

**JUNE 30, 2005**

	Water and Sewer Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 659,222	\$ 42,024	\$ 701,246	\$ 409,457
Accounts receivable	426,474	1,255	427,729	-
Due from other fund	10,486	-	10,486	-
Prepaid items	11,322	455	11,777	-
Inventory	-	8,970	8,970	-
<b>Total current assets</b>	<b>1,107,504</b>	<b>52,704</b>	<b>1,160,208</b>	<b>409,457</b>
<b>Restricted assets</b>				
Cash and cash equivalents	467,853	-	467,853	-
Investments	300,000	-	300,000	-
<b>Total restricted assets</b>	<b>767,853</b>	<b>-</b>	<b>767,853</b>	<b>-</b>
<b>Long-term assets</b>				
Investments	199,850	-	199,850	-
Capital assets (net of accumulated depreciation)	16,984,474	433,299	17,417,773	1,107,754
Deferred charges	172,671	-	172,671	-
<b>Total long-term assets</b>	<b>17,356,995</b>	<b>433,299</b>	<b>17,790,294</b>	<b>1,107,754</b>
<b>TOTAL ASSETS</b>	<b>19,232,352</b>	<b>486,003</b>	<b>19,718,355</b>	<b>1,517,211</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Accounts payable	35,591	16,225	51,816	4,495
Accrued liabilities	5,870	1,454	7,324	-
Accrued interest	54,449	-	54,449	8,723
Customer deposits	21,900	-	21,900	-
Due to other funds	3,335	-	3,335	-
Current portion of long-term debt	545,000	-	545,000	202,403
<b>Total current liabilities</b>	<b>666,145</b>	<b>17,679</b>	<b>683,824</b>	<b>215,621</b>
<b>Long-term liabilities</b>				
Accrued compensated absences	29,336	-	29,336	-
Long-term debt less current portion	11,015,000	-	11,015,000	333,960
<b>Total long-term liabilities</b>	<b>11,044,336</b>	<b>-</b>	<b>11,044,336</b>	<b>333,960</b>
<b>TOTAL LIABILITIES</b>	<b>11,710,481</b>	<b>17,679</b>	<b>11,728,160</b>	<b>549,581</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	5,424,474	433,299	5,857,773	571,391
Restricted for debt service	767,853	-	767,853	-
Unrestricted	1,329,544	35,025	1,364,569	396,239
<b>TOTAL NET ASSETS</b>	<b>\$ 7,521,871</b>	<b>\$ 468,324</b>	<b>\$ 7,990,195</b>	<b>\$ 967,630</b>

Continued...

The accompanying notes are an integral part of these financial statements.

**CITY OF MANISTEE**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

**JUNE 30, 2005**

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**Reconciliation of Net Assets on the Statement of Net Assets for Enterprise Funds  
to Net Assets of Business-Type Activities on the Statement of Net Assets**

Net assets - total enterprise funds	\$	7,990,195
-------------------------------------	----	-----------

Amounts reported for business-type activities in the statement of net assets are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in business-type activities in the statement of net assets.

Add: net assets of business-type accounted for in internal service funds		<u>37,868</u>
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<b>Net assets of business-type activities</b>	<b>\$</b>	<b><u><u>8,028,063</u></u></b>
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Concluded

The accompanying notes are an integral part of these financial statements.

# CITY OF MANISTEE

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Water and Sewer Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,410,776	\$ 152,667	\$ 2,563,443	\$ 345,000
<b>OPERATING EXPENSES</b>				
Water operations	648,865	-	648,865	-
Sewer WWTP	619,285	-	619,285	-
Sewer collection - streets	186,446	-	186,446	-
Boat ramp operations	-	55,025	55,025	-
Marina operations	-	103,435	103,435	-
Motor pool operations	-	-	-	37,933
Depreciation and amortization	779,916	20,945	800,861	200,780
<b>TOTAL OPERATING EXPENSES</b>	<b>2,234,512</b>	<b>179,405</b>	<b>2,413,917</b>	<b>238,713</b>
<b>OPERATING INCOME (LOSS)</b>	<b>176,264</b>	<b>(26,738)</b>	<b>149,526</b>	<b>106,287</b>
<b>NON-OPERATING (EXPENSE) REVENUE</b>				
Interest revenue	33,374	2,359	35,733	7,517
Miscellaneous	8,456	-	8,456	998
Interest expense	(476,571)	-	(476,571)	(26,143)
<b>TOTAL NON-OPERATING REVENUE (EXPENSE)</b>	<b>(434,741)</b>	<b>2,359</b>	<b>(432,382)</b>	<b>(17,628)</b>
Net (loss) income before transfers	(258,477)	(24,379)	(282,856)	88,659
<b>TRANSFERS</b>				
Transfers in	217,151	-	217,151	-
<b>CHANGE IN NET ASSETS</b>	<b>(41,326)</b>	<b>(24,379)</b>	<b>(65,705)</b>	<b>88,659</b>
NET ASSETS, BEGINNING OF YEAR	7,563,197	492,703	8,055,900	878,971
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 7,521,871</b>	<b>\$ 468,324</b>	<b>\$ 7,990,195</b>	<b>\$ 967,630</b>

Continued...

The accompanying notes are an integral part of these financial statements.



**CITY OF MANISTEE**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGE IN NET ASSETS  
PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

---

**Reconciliation of the Statement of Revenues, Expenses and Changes in Net  
Assets of Enterprise Funds to the Statement of Activities**

**Change in net assets - total enterprise funds** **\$ (65,705)**

Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with business-type activities.

Add: net operating gain from business-type activities accounted for in internal service funds.

29,575

**Change in net assets of business-type activities** **\$ (36,130)**

Concluded

The accompanying notes are an integral part of these financial statements.

**CITY OF MANISTEE**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Water and Sewer Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 2,310,036	\$ 152,145	\$ 2,462,181	\$ -
Cash received from interfund services provided	-	-	-	345,000
Cash payments to employees	(604,335)	(40,712)	(645,047)	-
Cash payments to suppliers for goods and services	(847,657)	(109,803)	(957,460)	(37,134)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>858,044</b>	<b>1,630</b>	<b>859,674</b>	<b>307,866</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Miscellaneous income	8,456	-	8,456	998
Transfers in from other funds	217,151	-	217,151	-
Note payable proceeds	-	-	-	29,295
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>225,607</b>	<b>-</b>	<b>225,607</b>	<b>30,293</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(416,628)	(150,480)	(567,108)	(61,670)
Note principal payments	(525,000)	-	(525,000)	(209,146)
Note interest payments	(476,748)	-	(476,748)	(29,770)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,418,376)</b>	<b>(150,480)</b>	<b>(1,568,856)</b>	<b>(300,586)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sale of investments	208,139	-	208,139	-
Purchase of investments	(199,850)	-	(199,850)	-
Interest revenue	70,627	2,359	72,986	7,517
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>78,916</b>	<b>2,359</b>	<b>81,275</b>	<b>7,517</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(255,809)</b>	<b>(146,491)</b>	<b>(402,300)</b>	<b>45,090</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,382,884	188,515	1,571,399	364,367
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,127,075</b>	<b>\$ 42,024</b>	<b>\$ 1,169,099</b>	<b>\$ 409,457</b>
<b>STATEMENT OF NET ASSETS CLASSIFICATION OF CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents	\$ 659,222	\$ 42,024	\$ 701,246	\$ 409,457
Restricted assets	467,853	-	467,853	-
	<b>\$ 1,127,075</b>	<b>\$ 42,024</b>	<b>\$ 1,169,099</b>	<b>\$ 409,457</b>

Continued...

# CITY OF MANISTEE

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Water and Sewer Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ 176,264	\$ (26,738)	\$ 149,526	\$ 106,287
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	779,916	20,945	800,861	200,780
Changes in assets and liabilities				
Accounts receivable	(100,540)	(522)	(101,062)	-
Prepaid items	(1,499)	(260)	(1,759)	-
Inventory	20,560	(886)	19,674	-
Accounts payable	(13,673)	11,205	(2,468)	799
Accrued liabilities	(5,703)	(2,114)	(7,817)	-
Accrued compensated absences	2,919	-	2,919	-
Customer deposits	(200)	-	(200)	-
<b>Net cash provided by operating activities</b>	<b><u>\$ 858,044</u></b>	<b><u>\$ 1,630</u></b>	<b><u>\$ 859,674</u></b>	<b><u>\$ 307,866</u></b>
<b>Non-cash capital and related financing activities</b>				
Acquisition of capital assets through notes payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,295</u>

Concluded

The accompanying notes are an integral part of these financial statements.

**CITY OF MANISTEE**

**STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS**

**JUNE 30, 2005**

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	<b>Pension Retirement System</b>	<b>Agency</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 56,712	\$ 55,278
<b>LIABILITIES</b>		
Accrued liabilities	-	\$ 35,112
Due to other governments	-	20,166
<b>TOTAL LIABILITIES</b>	-	<b>\$ 55,278</b>
<b>NET ASSETS</b>		
Held in trust for pension benefits	<b>\$ 56,712</b>	

The accompanying notes are an integral part of these financial statements.

**CITY OF MANISTEE**

**STATEMENT OF CHANGES IN NET ASSETS**

**FIDUCIARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Pension Retirement System</b>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 125,000
Plan members	95,105
	<u>220,105</u>
Total contributions	
	<u>220,105</u>
Investment earnings	
Interest and dividends	224,079
Net increase in the fair value of investments	81,041
	<u>305,120</u>
Total investment earnings	
	<u>305,120</u>
<b>TOTAL ADDITIONS</b>	<b><u>525,225</u></b>
<b>DEDUCTIONS</b>	
Benefits	496,733
Transfer to Municipal Employees Retirement System	12,317,675
Retirement health insurance costs	9,583
Administrative expenses	45,340
	<u>12,869,331</u>
<b>TOTAL DEDUCTIONS</b>	<b><u>12,869,331</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>(12,344,106)</b>
NET ASSETS, BEGINNING OF YEAR	<u>12,400,818</u>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 56,712</u></b>

The accompanying notes are an integral part of these financial statements.

# **CITY OF MANISTEE, MICHIGAN**

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### **Notes to the Financial Statements**

**June 30, 2005**

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# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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### ***I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

#### **A. Reporting entity**

The ***City of Manistee*** ("City") is directed by a City Council elected by the community at large. This legislative body appoints a City Manager to administer the affairs of the City. The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, parks and recreation, public improvements, planning and zoning and general administrative services. The City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, regarding the definition of the reporting entity.

#### **Discretely Presented Component Units**

**Local District Finance Authority ("LDFA")** – The Mayor with approval of the City Council appoints the members of the governing board of the LDFA. The City also has the ability to significantly influence the operations of the LDFA. The LDFA dissolved as of June 30, 2004 and its assets have been distributed back to the taxing jurisdictions in the subsequent fiscal year. A complete financial statement of the LDFA can be obtained from the City Finance Director, City of Manistee, 70 Maple Street, PO Box 358, Manistee, Michigan 49660-0358.

**Ramsdell Theatre** – Effective for the fiscal year ended June 30, 2005, the City adopted the provisions of GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, which resulted in the inclusion of the financial statements of the Ramsdell Theatre Restoration Committee as a discretely presented component unit in the financial statements of the City. A complete financial statement of the Ramsdell Theatre is included within these financial statements.

The Ramsdell Theatre financial statements are prepared in accordance with the accounting standards established by the Financial Accounting Standards Board and accordingly, a reporting model different from that of the City is used. The Ramsdell Theatre's financial statements included within reflect both models.

**Manistee City Housing Commission** – The Mayor with approval of the City Council appoints the members of the governing board of the commission. The Commission's fiscal year end is December 31, 2004. A complete financial statement of the Housing Commission can be obtained from the Executive Director, City of Manistee Housing Commission, Century Terrace, Manistee, Michigan 49660.

**Downtown Development Authority ("DDA")**– The Mayor with approval of the City Council appoints the members of the governing board of the DDA. The City also has the ability to significantly influence the operations of the DDA. A complete financial statement of the DDA can be obtained from the City Finance Director, City of Manistee, 70 Maple Street, PO Box 358, Manistee, Michigan 49660-0358.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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### **B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Public Improvement Fund* accounts for the use of money derived from Oil and Gas royalties, which was endowed in a permanent fund. The income from the endowment is used to subsidize the water and sewer operations. The City is starting to minimize the subsidy so the water and sewer operations will become self-sufficient.

The *2003 Capital Improvement Bonds Fund* accounts for the use of bond proceeds, which are used for capital improvements of city hall.

The *Water and Sewer Fund* is the City's major proprietary fund. It accounts for the activities of the City's water distribution, sewage disposal and treatment system.

Additionally, the City reports the following fund types:

The *Internal Service Fund* accounts for fleet and equipment management to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

The *Pension Retirement System Fund* accounts for the activities of the City employees



# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

---

Retirement System, which accumulates resources for pension and postretirement health benefits payments to qualified employees.

The *Agency Funds* account for assets held for other governments in an agency capacity, including tax collections.

### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function, cost of building rent and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods,

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Enterprise Fund and of the government's Motor Pool Internal Service Fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then use unrestricted resources as they are needed.

### **D. Assets, liabilities and equity**

#### **1. *Deposits and investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value.

#### **2. *Restricted Assets***

Cash and investments are restricted by bond debt requirements in the amount of \$767,853.

#### **3. *Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### **4. *Inventory***

Inventory held by the enterprise funds is valued at cost on the first-in, first-out basis.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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Inventory of expendable supplies in other funds have not been recorded and the amount of any such inventories is not considered material. The cost value of such inventories has been treated as an expenditure at the time of purchase.

### 5. *Capital assets*

Capital assets, which include property, plant, equipment and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government and component units are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Public domain infrastructure	50
System infrastructure	50
Vehicles	3-20
Equipment	5-10

Capital assets of the Housing Commission with a cost to acquire or construct of \$600 or more are capitalized and depreciated over their useful lives. Depreciation is provided on a straight-line basis using the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings - dwellings	40
Buildings - nondwellings	20
Equipment - dwellings	7
Equipment - nondwellings	5-7
Building improvements	5-40

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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### 6. *Compensated absences*

Vacation and sick days for the City's salaried employees are determined by the City's personnel policies and the City's hourly employees are determined by the union agreement between the City and the employees' union. The liability for these amounts will be included in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- Vacation leave with pay granted annually shall be used within eighteen months after qualifying for the same. Vacation leave not used shall be forfeited.
- Each employee shall be granted one day for each month of employment for sick leave, not to exceed twelve days per year. Employees may accumulate up to 180 sick leave days.
- Each employee who has two or more years of service shall be granted three days per year for personal business not to be deducted from sick leave. Employees with less than two years of service shall be granted one day off per year for personal business not to be deducted from sick leave.

### 7. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### 8. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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### ***9. Current Vulnerability due to Certain Concentrations***

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or administrative changes mandated by HUD. Such changes may occur with little notice and inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

## ***II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***

### **A. Budgetary information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

Not later than May 15<sup>th</sup> of each year, the Council shall by resolution adopt a budget for the next fiscal year, shall appropriate the money needed for municipal purposes during the next fiscal year of the City and shall provide for a levy of the amount necessary to be raised by taxes upon real and personal property for municipal purposes subject to limitations.

The budget document presents information by fund, department, and line items. The legal level of budgetary control adopted by the City Council is the department level, which is the level at which expenditures may not legally exceed appropriations. A City Council resolution may approve transfers of appropriations between departments.

### **B. Excess of expenditures over appropriations**

For the year ended June 30, 2005, the General Fund appropriations account exceeded appropriations by \$98. This over expenditure was funded by greater than anticipated revenues in that fund and the use of prior year fund balance.

For the year ended June 30, 2005, the DDA professional services and transfers exceeded appropriations by \$900 and \$890, respectively.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

Michigan Compiled Laws, Section 129.91 authorizes the local government unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the state of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City Council has designated three banks for the deposit of City funds. The investment policy adopted by the Council in accordance with Public Act 20 of 1943 has authorized all allowable investments except repurchase agreements.

The City's deposit and investment policy are in accordance with statutory authority.

Cash and cash equivalents, investments and restricted assets are reported in the financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and cash equivalents	\$ 3,863,384	\$ 701,246	\$ 4,564,630	\$ 111,990	\$ 579,005
Investments	6,305,250	199,850	6,505,100	-	-
Restricted cash and cash equivalents	-	467,853	467,853	-	-
Investments	-	300,000	300,000	-	-
<b>Total</b>	<b><u>\$10,168,634</u></b>	<b><u>\$ 1,668,949</u></b>	<b><u>\$11,837,583</u></b>	<b><u>\$ 111,990</u></b>	<b><u>\$ 579,005</u></b>

Cash and cash equivalents reported above include \$1,730 of cash on hand that is not considered deposits or investments for footnote purposes.

Footnote presentation	
Deposits	\$ 10,877,748
Investments	<u>1,649,100</u>
<b>Total</b>	<b><u>\$ 12,526,848</u></b>

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Federal home loan bond	04/15/2009	\$ 99,250	AAA
Federal home loan bond	12/30/2009	300,000	AAA
Federal home loan bond	06/12/2013	300,000	AAA
Federal home loan bond	08/11/2008	250,000	AAA
Federal home loan bond	02/27/2009	199,850	AAA
Federal home loan bond	10/30/2008	300,000	AAA
Fannie Mae bond	12/28/2007	<u>200,000</u>	AAA
Total		<u>\$1,649,100</u>	

### Investment and deposit risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year end, \$859,712 of the City's bank balance of \$11,362,681 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the above \$1,649,100 of investments, the City has a custodial credit risk exposure of \$1,649,100 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified on the previous page. The City's investment policy also does not have specific limits in concentration of credit risk. Each of the investments held by the City exceeds 5 percent of the City's total investments.

### B. Receivables

Receivables in the City's governmental activities consist of 31% special assessments, 4% taxes receivable, 4% interest receivable, 14% due from customers, and 47% other receivables. Receivables in the business-type activities consist of 99% due from customers and 1% interest receivable.

Special assessments receivable are not expected to be collected within one year.

### C. Capital assets

#### Primary Government

Capital assets recorded in the governmental activities of the primary government includes all sidewalk and streetscape improvements since the fiscal year ended June 30, 1997, streetlight improvements since the fiscal year ended June 30, 2003 and current fiscal year street improvements. All other infrastructure is not included in these financial statements.

Capital assets activity in the governmental and business-type activities was as follows:

	<u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2005</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,700,189	\$ -	\$ -	\$ 1,700,189
Construction in progress	<u>282,577</u>	<u>2,470,197</u>	<u>-</u>	<u>2,752,774</u>
Total capital assets not being depreciated	<u>1,982,766</u>	<u>2,470,197</u>	<u>-</u>	<u>4,452,963</u>
Capital assets being depreciated				
Land improvements	4,633,860	-	-	4,633,860
Infrastructure	3,306,976	36,961	-	3,343,937
Buildings and structures	3,150,990	41,335	-	3,192,325
Vehicles	2,152,005	-	-	2,152,005
Furniture and equipment	<u>1,445,389</u>	<u>66,080</u>	<u>-</u>	<u>1,511,469</u>
Total capital assets being depreciated	<u>14,689,220</u>	<u>144,376</u>	<u>-</u>	<u>14,833,596</u>



# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

	<u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2005</u>
Less accumulated depreciation for				
Land improvements	(753,923)	(92,677)	-	(846,600)
Infrastructure	(310,586)	(67,928)	-	(378,514)
Buildings and structures	(1,491,292)	(79,718)	-	(1,571,010)
Vehicles	(927,667)	(166,828)	-	(1,094,495)
Furniture and equipment	(716,186)	(121,943)	-	(838,129)
Total accumulated depreciation	(4,199,654)	(529,094)	-	(4,728,748)
Total capital assets being depreciated, net	10,489,566	(384,718)	-	10,104,848
<b>Governmental activities capital assets, net</b>	<b><u>\$12,472,332</u></b>	<b><u>\$2,085,479</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 14,557,811</u></b>
<b>Business-type activities</b>				
Land improvements	\$ 51,973	\$ -	\$ -	\$ 51,973
Buildings and structures	255,758	-	-	255,758
Docks, ramps, & improvements	181,622	150,480	-	332,102
Water/sewer system	17,460,246	374,198	-	17,834,444
Water/sewer plant	7,438,183	11,849	-	7,450,032
Equipment	180,200	30,581	-	210,781
Total	25,567,982	567,108	-	26,135,090
Less accumulated depreciation for				
Land improvements	(46,974)	-	-	(46,974)
Buildings and structures	(91,867)	(10,230)	-	(102,097)
Docks, ramps, & improvements	(41,750)	(10,715)	-	(52,465)
Water/sewer system	(4,082,034)	(539,451)	-	(4,621,485)
Water/sewer plant	(3,509,189)	(240,269)	-	(3,749,458)
Equipment	(153,978)	9,140	-	(144,838)
Total accumulated depreciation	(7,925,792)	(791,525)	-	(8,717,317)
<b>Business-type activities capital assets, net</b>	<b><u>\$17,642,193</u></b>	<b><u>\$ (224,417)</u></b>	<b><u>\$ -</u></b>	<b><u>\$17,417,773</u></b>

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

### Governmental activities

General government	\$ 17,340
Public safety - police	25,945
Public safety - fire	45,450
Public works	111,078
Recreation and culture	84,878
Community development	43,623
Capital assets held by the City's internal service fund charged to the various functions based on their usage of the assets	<u>200,780</u>

**Total depreciation expense – governmental activities** **\$ 529,094**

### Business-type activities

Water and sewer	\$ 770,582
Marina	<u>20,943</u>

**Total depreciation expense – business-type activities** **\$ 791,525**

### Discretely presented component unit

Capital asset activity in the Housing Commission component unit was as follows:

	<u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2005</u>
<b>Housing Commission</b>				
Capital assets not being depreciated				
Land	\$ 312,216	\$ 45,262	\$ -	\$ 357,478
Construction in progress	<u>-</u>	<u>33,917</u>	<u>-</u>	<u>33,917</u>
Total capital assets not being depreciated	<u>312,216</u>	<u>79,179</u>	<u>-</u>	<u>391,395</u>
Capital assets being depreciated				
Buildings	4,610,427	40,365	-	4,650,792
Furniture and equipment	407,300	1,748	500	409,548
Building improvements	<u>2,545,670</u>	<u>108,446</u>	<u>(164,779)</u>	<u>2,489,337</u>
Total capital assets being depreciated	<u>7,563,397</u>	<u>150,559</u>	<u>(164,279)</u>	<u>7,549,677</u>
Less accumulated depreciation	<u>(4,247,102)</u>	<u>256,963</u>	<u>2,579</u>	<u>4,506,644</u>
Total capital assets being depreciated, net	<u>3,316,295</u>	<u>106,404</u>	<u>(166,858)</u>	<u>3,043,033</u>
<b>Housing Commission capital assets, net</b>	<u><b>\$ 3,628,511</b></u>	<u><b>\$ (27,225)</b></u>	<u><b>\$ (166,858)</b></u>	<u><b>\$ 3,434,428</b></u>

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

### D. Interfund receivables, payables and transfers

The composition of interfund balances is as follows as of June 30, 2005:

	<u>Due To Other Funds</u>			<u>Total</u>
	<u>Public Improvement Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Water and Sewer Fund</u>	
<b><u>Due From Other Funds</u></b>				
General Fund	\$ -	\$ 18,376	\$ -	\$ 18,376
Water and Sewer Fund	<u>7,151</u>	<u>-</u>	<u>3,335</u>	<u>10,486</u>
<b>Total</b>	<b><u>\$ 7,151</u></b>	<b><u>\$ 18,376</u></b>	<b><u>\$ 3,335</u></b>	<b><u>\$ 28,862</u></b>

Interfund balances represent (1) short-term borrowings between funds for cash flow purposes, (2) to record a receivable for the year end transfer of interest revenue from the Public Improvement Fund to the Water and Sewer Fund, and (3) to transfer expenses to funds where they should have been recorded in.

The composition of interfund transfers is as follows:

	<u>Transfers in</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water and Sewer Fund</u>	
<b><u>Transfers out</u></b>				
General Fund	\$ -	\$ 174,869	\$ -	\$ 174,869
Public Improvement Fund	-	-	217,151	217,151
Nonmajor Governmental Funds	<u>112,583</u>	<u>166,235</u>	<u>-</u>	<u>278,818</u>
<b>Total</b>	<b><u>\$ 112,583</u></b>	<b><u>\$ 341,104</u></b>	<b><u>\$ 217,151</u></b>	<b><u>\$ 670,838</u></b>

Transfers are used to (1) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) to transfer interest revenue to the Water and Sewer Fund from the Public Improvement Fund.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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### **E. Long-term debt**

**General obligation debt.** The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. These are direct obligations of the City and the City has pledged the full faith and credit. The City obtains notes payable to provide funds for the acquisition of other capital assets, mostly vehicles and other related equipment.

Included in the governmental activities general obligation debt is a Michigan Economic Development Corporation Loan in the amount of \$1,072,538. The amount of the loan is the original balance recorded. The purpose of this loan was to assist in the funding of the construction of the City of Manistee Renaissance Park. Under the terms of the loan, the City will be credited \$20,000 against this original principal amount for each new qualifying job created within the Renaissance Park up to a maximum of fifty (50) jobs. The City, in prior years, had been credited with thirty-four (34) qualifying jobs, but as of June 30, 2005, the City has 15 qualifying jobs. Interest on the balance owed began accruing on March 1, 2004, with equal monthly principal and interest payments not to begin until March 1, 2006.

Under the terms of the agreement, in the event there are job losses (which there have been), no new job credits will be given until total existing jobs exceed the original thirty-four (34) jobs credited. The job creation provision in the agreement has been extended to October 31, 2005. In addition, in the event that total existing jobs have fallen below twenty (20) qualifying jobs by October 31, 2005, then all prior job credits will be lost and the City will be required to pay back the entire original loan balance.

The business-type activities have both revenue and general obligation bonds. The revenue bonds' principal and interest are to be paid from the net revenues from the respective water supply system and sewer supply system. The general obligation bonds have the City's limited tax obligation.

The DDA component unit's bond payable is also a general obligation of the City. The component unit's payable was issued by the component unit on behalf of the primary government. No debt agreements were issued by the component unit during the year ended June 30, 2005.

The Ramsdell Theatre component unit obtained financing during the current fiscal year in the form of borrowings on a line of credit. There are no borrowings as of at June 30, 2005. The component unit borrowed a total of \$70,000 during the year and paid back \$70,000 during the year on the line of credit.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

Following is a summary of bonds and notes payable of the City including the DDA component unit for the year ending June 30, 2005:

<u>Purpose</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental activities</b>			
2003 General Obligation Bond	2024	2.25-4.40%	\$ 2,885,000
1999 DDA Limited Tax General Obligation Bond	2020	4.70-5.38%	1,455,000
1999 Michigan Transportation Fund Limited Tax General Obligation Bond	2015	4.50-5.20%	1,110,000
1997 General Obligation Bond	2007	4.95-5.00%	115,000
Note payable – Victorian street lighting	2008	7.63%	37,488
Note payable – Copier	2008	4.25%	3,850
Note payable – Vactor sewer cleaner	2007	5.13%	46,902
Note payable – 4 Crown Victorians, 1 Ford Expedition, 2 Ford F-250's, 1 Ford E-250	2006	5.15%	58,594
Note payable – 2004 Skid steer	2008	4.25%	21,528
Note payable – 2003 Wheel loader	2009	4.00%	47,159
Note payable – Plow truck	2006	4.00%	4,671
Note payable – Holder tractor	2007	5.20%	14,734
Note payable – 2001 Wheel loader	2007	4.75%	13,567
Note payable – Pelican sweeper	2007	4.88%	21,560
Note payable – 2004 Sterling plow truck	2009	4.02%	53,269
Note payable – 2003 Snow blower	2009	4.02%	65,242
Note payable – Pierce pumper	2014	3.49%	189,138
Michigan Economic Development Corporation Loan	Unknown	5.00%	<u>1,072,538</u>
			<b><u>\$ 7,215,240</u></b>
<b>Business-type activities</b>			
1997 Water and Sewer Revenue Bond	2018	5.30-5.38%	\$ 465,000
1997 General Obligation Bond	2017	2.25%	355,000
1998 Disposal System and Refunding Revenue Bond	2028	4.75-5.13%	4,260,000
1998 General Obligation Bond	2019	2.25%	1,975,000
1999 Water Supply and Sewage Disposal System Revenue Bond	2020	4.85-5.40%	2,590,000
1999 General Obligation Bond	2021	2.50%	<u>1,915,000</u>
			<b><u>\$11,560,000</u></b>
<b>Component Unit - Downtown Development Finance Authority</b>			
1996 Limited Tax General Obligation Bond	2006	4.50-4.60%	<b><u>\$ 60,000</u></b>

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

Annual debt service requirements to maturity for governmental activities, business-type activities and the DDA component unit are as follows:

<b>Year Ending June 30,</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>DDA Component Unit</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2006	\$ 430,822	\$ 262,706	\$ 545,000	\$ 457,985	\$ 60,000	\$ 1,380
2007	418,853	242,608	565,000	438,211	-	-
2008	330,046	226,209	585,000	417,545	-	-
2009	300,750	212,952	605,000	395,848	-	-
2010	300,933	200,531	635,000	372,883	-	-
2011-2015	1,791,297	780,672	3,540,000	1,474,684	-	-
2016-2020	1,535,000	408,302	4,355,000	676,359	-	-
2021-2025	1,035,001	95,245	520,000	103,672	-	-
2026-2030	-	-	210,000	16,144	-	-
Unknown	<u>1,072,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$7,215,240</u></b>	<b><u>\$2,429,225</u></b>	<b><u>\$11,560,000</u></b>	<b><u>\$4,353,331</u></b>	<b><u>\$ 60,000</u></b>	<b><u>\$ 1,380</u></b>

*Changes in long-term liabilities.* Long-term liability activity was as follows:

	<b>July 1, 2004</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2005</b>	<b>Due Within One Year</b>
<b>Primary Government</b>					
<b>Governmental activities</b>					
General obligation					
bonds	\$ 5,775,000	\$ -	\$ (210,000)	\$ 5,565,000	\$ 215,000
Notes payable	770,037	29,295	(221,630)	577,702	215,822
MEDC Loan	1,072,538	-	-	1,072,538	-
Compensated absences	<u>116,880</u>	<u>104,839</u>	<u>(77,891)</u>	<u>143,828</u>	<u>-</u>
	<b><u>\$ 7,734,455</u></b>	<b><u>\$ 134,134</u></b>	<b><u>\$ (509,521)</u></b>	<b><u>\$ 7,359,068</u></b>	<b><u>\$ 430,822</u></b>
<b>Business-type activities</b>					
General obligation					
bonds	\$ 4,485,000	\$ -	\$ (240,000)	\$ 4,245,000	\$ 245,000
Revenue bonds	7,600,000	-	(285,000)	7,315,000	300,000
Compensated absences	<u>26,417</u>	<u>16,266</u>	<u>(13,347)</u>	<u>29,336</u>	<u>-</u>
	<b><u>\$12,111,417</u></b>	<b><u>\$ 16,266</u></b>	<b><u>\$ (538,347)</u></b>	<b><u>\$11,589,336</u></b>	<b><u>\$ 545,000</u></b>
<b>Component Unit</b>					
General obligation					
bonds	<b><u>\$ 120,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (60,000)</u></b>	<b><u>\$ 60,000</u></b>	<b><u>\$ 60,000</u></b>

For the governmental activities, compensated absences are generally liquidated by the general fund.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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### **IV. OTHER INFORMATION**

#### **A. Risk management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. During the year ended June 30, 2005, the City carried insurance through various commercial carriers, to cover all risks of loss. The City has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

#### **B. Property taxes**

The City's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 20; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Manistee County.

Assessed values as established annually by the City, and subject to acceptance by the County, are equalized by the state at an estimated 50% of current market value. Real and personal property in the City for the 2004 levy were assessed and equalized at \$172,023,066 (not including properties subject to Industrial Facilities Tax Exemption), representing 50% of estimated current market value.

The government's general operating tax rate for fiscal year 2005 was 18.08 mills, with an additional 2.00 mills levied for the City Refuse Fund and .45 mills levied for general obligation bond retirement.

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other related taxing districts. Under this arrangement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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### C. Pension Plan

During the fiscal year, the City changed their pension from a self-administered plan to an agent multiple-employer program, Michigan Employees Retirement System (MERS). Below, disclosed first is the self-administered plan following with the disclosures for MERS.

#### *Self-Administered Plan*

##### **Basis of Accounting**

The retirement system financial statements are included in the City's financial statements with cash being the only asset left after termination of the plan as a pension trust fund and are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the plan.

##### **Description of the Plan**

The City contributed to the single employer retirement plan named the City of Manistee's Retirement System, covering all full time personnel. The plan provided retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City administered the plan. A stand alone financial report of the Plan is not issued. At June 30, 2004, the most recent actuarial valuation date, membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	47
Current employees:	
Active members	<u>47</u>
<b>Total</b>	<b><u>94</u></b>

##### **Contributions**

The City's obligation to contribute, benefit provisions and all other requirements of the system are established and may be amended by the retirement system board. General, supervisory, water and housing employees are required to contribute 5% of their gross pay to the system. Police and fire employees are required to contribute 4% and 5%, respectively, of their gross pay to the system. For the years ended June 30, 2003, 2004 and 2005, the City contributed 100% of the annual pension costs in the amount of \$127,369, \$157,026 and \$125,000, respectively. There were no net pension obligations at the end of the year.



# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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### ***Defined Benefit Pension Plan***

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, MI 48917 or by calling (800) 767-6377.

### **Funding Policy**

The City is required to contribute at an actuarially determined rate; the current rate is -% of annual covered payroll. In the subsequent fiscal year the City will be required to contribute 5.86% of annual covered payroll for the COAM employees. General, supervisory, water, and fire employees are required to contribute 5% and police employees are required to contribute 4%. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the City depending on the MERS contribution program adopted by the City.

### **Annual Pension Cost**

For the year ended June 30, 2005, the City's annual pension cost of \$ - for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumption included (a) a rate of return on the investment of present and future assets of 8.0%, (b) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit and (c) projected salary increases of 4.5% per year, compounded annually, attributable to inflation. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2004, the date of the last actuarial valuation, was 30 years.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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<b><u>Fiscal Year Ending</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percentage of APC Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
6/30/05	\$ -	100%	\$ -

### **Housing Commission**

The Housing Commission participates in a deferred benefit pension plan, Manistee Employees Retirement System. The pension covers all eligible full-time employees age (55 with 30 years of credit service or age 60 with 10 years of credit service) and requires a minimum contribution by the employees. The Housing Commission's normal cost contribution was computed to be 5.16% of member payroll for the fiscal year beginning July 1, 2004. The excess of accrued assets over accrued liabilities was amortized over 10 years as a level percent of payroll and applied as a temporary credit to the computed normal cost. The amortization credit was 7.55% of the Housing Commission member payroll for the fiscal year beginning July 1, 2004. Therefore the Housing Commission's net contribution was 0.00% of member payroll the fiscal year beginning July 1, 2004. Valuation payroll for the Housing Commission was \$137,692 and employee contributions were \$8,574 for the period July 1, 2003 to June 30, 2004. At June 30, 2004, the date of the last completed actuarial evaluation, the Housing Commission's termination liability for retirement benefits was \$317,105 (employer and employee combined). Valuation assets available to meet this obligation were \$413,957. The Housing Commission did not have to make monthly contributions during 2004. There are four active employees and one retiree and/or beneficiary. There is an overfunded actuarial accrued liability balance of \$96,852 as of June 30, 2004. Statistical information concerning the plan can be obtained from the City, which is contained in their annual actuarial valuation of the City of Manistee Employees Retirement System.

Housing Commission employees who retire under the pension plan will have the option of maintaining Blue Cross/Blue Shield for themselves and their dependents, the group premium for which will be paid by the employee or spouse upon receipt of an invoice for the same. There shall be no cost to the employer. Employees not covered under the pension plan shall have the same option.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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### D. Other post-employment benefits

In addition to the pension benefits described in Note IV.C., the City provides post retirement health insurance premiums and payments in accordance with a City resolution to all employees who retire on or after age 60 with at least 10 years of service and age 50 with 25 or more years of service for police and fire employees. The benefit for qualified retired police employees is 50% of premium from retirement date to age 62; 100% of premium from age 62 to earlier of age 65 or eligibility for Medicare. The benefit for qualified retired fire employees is 50% of premium from retirement to age 65 not to exceed \$250 per month. All other qualified employees receive 50% of premium from age 62 to the earlier of age 65 or eligibility for Medicare. The City paid approximately \$27,000 in health insurance premiums for 6 participants for the year ended June 30, 2005. The benefit is funded by assets in the City's General Fund and Water and Sewer Fund depending on what department the employee was employed in.

### E. Segment Information for Water and Sewer Fund

The City maintains an enterprise fund which provides for the City's water and sewer operations. Segment information for the year ended June 30, 2005, was as follows:

	<u>Water</u>	<u>Sewer</u>
Operating revenues	\$ 798,596	\$ 1,612,180
Operating expenses	(648,866)	(805,730)
Depreciation expense	<u>(257,372)</u>	<u>(522,544)</u>
Operating (loss) income	(107,642)	283,906
Interest revenue	11,013	22,361
Miscellaneous revenue	2,875	5,581
Interest expense	<u>-</u>	<u>(476,571)</u>
Net income (loss)	93,754	(164,723)
Operating transfers	<u>-</u>	<u>217,151</u>
Change in net assets	<u>\$ (93,754)</u>	<u>\$ 52,428</u>

### F. Commitment

The City has entered into a contract for the renovation of their City Hall. The total amount of the contract entered into is \$2,650,000, and costs incurred to date under the contract are \$2,291,985.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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### **G. Subsequent Event**

Subsequent to year end, the City issued \$6,400,000 of Water Supply and Sewage Disposal System Revenue Bonds to refund the City's Water Supply and Sewage Disposal System Revenue Bonds, Series 1997A, Series 1998, and Series 1999.

### **H. Prior period adjustments**

The Major Street Fund balances at the beginning of 2005 has been adjusted to account for revenue earned in the prior year but not recorded in the amount of \$32,130.

The Housing Commission net assets at the beginning of 2004 has been adjusted to correct errors made in 2003, including recording accounts receivable and revenue for fraud recovery, overstating capital assets, and over accruing payment in lieu of taxes. Had the errors not been made, net assets for 2003 would have been decreased by \$894,355.

### **I. Accounting change**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Housing Commission has applied the provisions of this statement in the accompanying financial statements (including notes to financial statements). Certain significant changes in the statement include a management's discussion and analysis (MD&A) section providing an analysis of the Housing Commission's overall financial position and results of operations and classification of restricted assets.

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## **SUPPLEMENTARY INFORMATION**

**CITY OF MANISTEE**  
**Pension Trust Fund**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**June 30, 2005**

Actuarial valuation date	Actuarial value of assets (a)	Actuarial Accrued Liability (AAL) Attained Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered payroll ((b - a) / c)
6/30/97	\$ 11,127,290	\$ 8,788,866	\$ (2,338,424)	126.61%	\$ 1,629,255	-143.53%
6/30/98	11,695,764	9,466,834	(2,228,930)	123.54%	1,620,182	-137.57%
6/30/99	11,435,789	10,056,657	(1,379,132)	113.71%	1,600,600	-86.16%
6/30/2000	11,601,867	10,522,734	(1,079,133)	110.26%	1,666,220	-64.77%
6/30/2001	11,761,829	10,428,873	(1,332,956)	112.78%	1,740,915	-76.57%
6/30/2002	11,862,141	10,901,959	(960,182)	108.81%	1,714,655	-56.00%
6/30/2003	12,079,253	11,483,598	(595,655)	105.19%	1,717,319	-34.69%
6/30/2004	12,306,240	11,996,927	(309,313)	102.58%	1,816,134	-17.03%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended/ Valuation June 30	Required Contribution	Percentage Contributed
1995	\$ -	100
1996	1,347	100
1997	826	100
1998	2,323	100
1999	-	100
2000	27,926	100
2001	76,877	100
2002	62,667	100
2003	127,369	100
2004	157,026	100
2005	125,000	100

The information in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.  
Additional information as of the latest actuarial valuation is as follows:

Valuation date	June 30, 2004
Actuarial cost method	Individual Entry Age
Amortization method	Level percent closed
Remaining amortization period	10 years
Asset valuation method	Smoothed Market Value
Actuarial assumptions:	
Investment rate of return	6.0%
Projected salary increases	4.5%-8.3%
Inflation	4.5%

# CITY OF MANISTEE

## SCHEDULE OF REVENUES BUDGET TO ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>Taxes</b>				
Real and personal property taxes	\$ 3,024,867	\$ 3,021,718	\$ 3,023,135	\$ 1,417
Interest on delinquent taxes	15,000	23,066	23,483	417
Payments in lieu of taxes	98,000	141,768	147,220	5,452
<b>Federal sources</b>	10,000	5,585	5,585	-
<b>State sources</b>				
State revenue sharing	799,929	776,379	772,019	(4,360)
<b>Charges for services</b>				-
Water and sewer	142,000	151,515	160,205	8,690
Major street	180,000	180,000	180,000	-
Local street	72,000	72,000	72,000	-
City refuse	150,000	150,000	150,000	-
Inspections	20,000	13,420	13,420	-
Other administrative charges	95,874	99,263	101,658	2,395
Charges for sales	2,000	4,494	4,427	(67)
<b>Licenses and permits</b>	10,500	6,067	6,152	85
<b>Fines and forfeits</b>	40,000	80,007	80,143	136
<b>Interest revenue</b>	25,000	27,158	30,100	2,942
<b>Miscellaneous</b>				
Refunds	116,000	122,434	122,434	-
Refunds - workers comp	-	13,096	13,096	-
Other	8,000	159,057	174,129	15,072
<b>TOTAL REVENUES</b>	<b>\$ 4,809,170</b>	<b>\$ 5,047,027</b>	<b>\$ 5,079,206</b>	<b>\$ 32,179</b>

# CITY OF MANISTEE

## SCHEDULE OF EXPENDITURES BUDGET TO ACTUAL GENERAL FUND

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>LEGISLATIVE</b>				
Personnel services	\$ 23,595	\$ 23,595	\$ 22,951	\$ (644)
Supplies	10,000	9,456	5,560	(3,896)
Travel and training	10,000	10,544	11,441	897
<b>TOTAL LEGISLATIVE</b>	<b>43,595</b>	<b>43,595</b>	<b>39,952</b>	<b>(3,643)</b>
<b>GENERAL GOVERNMENT</b>				
Manager				
Personnel services	155,088	155,088	153,315	(1,773)
Supplies	9,150	9,150	5,107	(4,043)
Repair and maintenance	2,200	2,200	1,839	(361)
Training and travel	16,500	16,500	13,822	(2,678)
Professional services	7,000	13,883	16,154	2,271
Postage	24,000	24,512	25,303	791
Miscellaneous	143,583	152,843	158,099	5,256
Capital outlay	3,750	142,161	116,453	(25,708)
Total manager	361,271	516,337	490,092	(26,245)
Finance				
Personnel services	141,665	141,467	141,095	(372)
Supplies	7,770	5,707	5,933	226
Contractual services	45,000	48,704	48,854	150
Training and travel	4,500	5,350	5,350	-
Capital outlay	1,626	2,634	2,271	(363)
Total finance	200,561	203,862	203,503	(359)

Continued...



# CITY OF MANISTEE

## SCHEDULE OF EXPENDITURES BUDGET TO ACTUAL GENERAL FUND

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
Assessor				
Personnel services	\$ 138,839	\$ 138,839	\$ 142,148	\$ 3,309
Supplies	6,970	6,970	6,458	(512)
Contractual services	15,050	15,050	8,584	(6,466)
Training and travel	8,700	8,700	4,049	(4,651)
Capital outlay	450	450	561	111
Total assessor	170,009	170,009	161,800	(8,209)
Attorney				
Contractual services	82,500	86,000	84,577	(1,423)
Clerk				
Personnel services	121,751	121,751	117,644	(4,107)
Supplies	9,950	9,950	5,907	(4,043)
Contractual services	7,000	7,000	2,790	(4,210)
Training and travel	6,500	6,500	4,937	(1,563)
Repairs and maintenance	1,600	1,600	456	(1,144)
Printing and publishing	8,000	8,000	3,975	(4,025)
Capital outlay	12,350	12,350	13,382	1,032
Total clerk	167,151	167,151	149,091	(18,060)
Community development				
Personnel services	200,465	200,465	195,689	(4,776)
Supplies	7,170	7,170	4,200	(2,970)
Training and travel	3,900	3,900	846	(3,054)
Transportation	1,980	1,980	1,800	(180)
Miscellaneous	-	-	2,713	2,713
Total community development	213,515	213,515	205,248	(8,267)

Continued...

# CITY OF MANISTEE

## SCHEDULE OF EXPENDITURES BUDGET TO ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
General service board and administration				
Harbor commission	\$ 500	\$ 217	\$ 253	\$ 36
Board of review	2,300	1,814	1,814	-
Tree commission	150	17	268	251
Parks commission	150	79	79	-
Zoning board	2,400	1,009	1,009	-
Beautification committee	500	6,881	6,971	90
Planning commission	7,550	7,534	5,583	(1,951)
Total general service board and administration	13,550	17,551	15,977	(1,574)
Municipal building				
Rent	14,400	39,400	14,400	(25,000)
Supplies	10,400	3,817	3,904	87
Contractual services	56,700	56,686	51,492	(5,194)
Utilities	62,300	100,542	120,707	20,165
Insurance	78,000	75,088	75,088	-
Repairs and maintenance	5,000	4,539	5,398	859
Capital outlay	30,000	27,717	27,717	-
Total municipal building	256,800	307,789	298,706	(9,083)
<b>TOTAL GENERAL GOVERNMENT</b>	<b>1,465,357</b>	<b>1,682,214</b>	<b>1,608,994</b>	<b>(73,220)</b>

Continued...

# CITY OF MANISTEE

## SCHEDULE OF EXPENDITURES BUDGET TO ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>PUBLIC SAFETY</b>				
Police				
Personnel services	\$ 890,960	\$ 892,418	\$ 888,070	\$ (4,348)
Supplies	23,600	22,911	23,942	1,031
Contractual services	1,000	1,204	1,204	-
Transportation	4,200	4,200	4,200	-
Uniform allowance	15,000	6,098	6,186	88
Repairs and maintenance	25,100	42,148	43,092	944
Training and travel	55,500	54,045	54,325	280
Other services and charges	2,022	2,273	2,274	1
Capital outlay	1,800	6,084	1,684	(4,400)
Total police	1,019,182	1,031,381	1,024,977	(6,404)
Fire				
Personnel services	507,575	536,046	526,796	(9,250)
Supplies	7,050	8,308	8,940	632
Uniform and food allowance	11,940	10,601	10,599	(2)
Training and travel	35,000	36,623	36,550	(73)
Repairs and maintenance	14,185	15,575	15,451	(124)
Hydrant rent	21,600	21,600	21,600	-
Other services and charges	3,800	1,020	1,095	75
Capital outlay	13,000	1,578	1,697	119
Total fire	614,150	631,351	622,728	(8,623)
<b>TOTAL PUBLIC SAFETY</b>	<b>1,633,332</b>	<b>1,662,732</b>	<b>1,647,705</b>	<b>(15,027)</b>

Continued...

# CITY OF MANISTEE

## SCHEDULE OF EXPENDITURES BUDGET TO ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>HIGHWAY AND STREETS</b>				
Bridge				
Personnel services	\$ 75,087	\$ 75,087	\$ 74,322	\$ (765)
Supplies	1,000	1,000	73	(927)
Repairs and maintenance	5,000	5,098	2,795	(2,303)
Contractual services	68,275	76,177	68,797	(7,380)
<b>TOTAL HIGHWAY AND STREETS</b>	<b>149,362</b>	<b>157,362</b>	<b>145,987</b>	<b>(11,375)</b>
<b>PUBLIC WORKS</b>				
Personnel services	596,926	596,926	585,226	(11,700)
Supplies	24,000	24,000	13,071	(10,929)
Repairs and maintenance	109,000	109,000	115,172	6,172
Electric street lights	77,000	85,096	87,925	2,829
Training and travel	141,000	141,000	139,855	(1,145)
<b>TOTAL PUBLIC WORKS</b>	<b>947,926</b>	<b>956,022</b>	<b>941,249</b>	<b>(14,773)</b>
<b>RECREATION AND CULTURAL</b>				
Parks and recreation				
Personnel services	199,883	199,883	217,408	17,525
Supplies	5,500	5,500	2,534	(2,966)
Repair and maintenance	63,000	63,000	53,294	(9,706)
Training and travel	31,000	31,000	30,333	(667)
Utilities	25,750	25,750	17,760	(7,990)
Capital outlay	27,000	27,000	10,609	(16,391)
<b>TOTAL RECREATION AND CULTURAL</b>	<b>352,133</b>	<b>352,133</b>	<b>331,938</b>	<b>(20,195)</b>

Continued...

**CITY OF MANISTEE**

**SCHEDULE OF EXPENDITURES  
BUDGET TO ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

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	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>APPROPRIATIONS</b>				
Museum	\$ 7,780	\$ 7,780	\$ 7,780	\$ -
Manistee recreation association	30,000	30,000	30,000	-
Veterans/memorial day	1,000	1,000	1,000	-
A.A.Y.	13,000	13,000	13,000	-
Economic development	26,333	26,333	26,333	-
Civic players	7,800	7,800	7,800	-
Ramsdell restoration	25,000	25,000	25,000	-
SSCENT	30,000	30,000	30,000	-
PEG studio	18,000	18,000	18,098	98
<b>TOTAL APPROPRIATIONS</b>	<b>158,913</b>	<b>158,913</b>	<b>159,011</b>	<b>98</b>
<b>OTHER</b>				
Retirement Fund contribution	100,000	175,000	100,000	(75,000)
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,850,618</b>	<b>\$ 5,187,971</b>	<b>\$ 4,974,836</b>	<b>\$ (213,135)</b>

Concluded

# CITY OF MANISTEE

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2005

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,524,743	\$ 80,139	\$ 316,467	\$ 1,921,349
Investments	50,000	-	-	50,000
Receivables				
Accounts	23,741	-	-	23,741
Taxes	38,499	-	-	38,499
Due from other governments	149,943	-	-	149,943
<b>TOTAL ASSETS</b>	<b>\$ 1,786,926</b>	<b>\$ 80,139</b>	<b>\$ 316,467</b>	<b>\$ 2,183,532</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 24,176	\$ -	\$ -	\$ 24,176
Due to other funds	18,376	-	-	18,376
Deferred revenue	30,861	-	-	30,861
<b>TOTAL LIABILITIES</b>	<b>73,413</b>	<b>-</b>	<b>-</b>	<b>73,413</b>
<b>FUND BALANCES</b>				
Unreserved				
Designated for subsequent years' expenditures	196,255	-	-	196,255
Undesignated	1,517,258	-	-	1,517,258
Reserved for debt retirement	-	80,139	-	80,139
Reserved for capital projects	-	-	316,467	316,467
<b>TOTAL FUND BALANCES</b>	<b>1,713,513</b>	<b>80,139</b>	<b>316,467</b>	<b>2,110,119</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,786,926</b>	<b>\$ 80,139</b>	<b>\$ 316,467</b>	<b>\$ 2,183,532</b>

**CITY OF MANISTEE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 330,849	\$ 78,225	\$ -	\$ 409,074
Federal sources	202,802	-	-	202,802
State sources	615,356	-	-	615,356
Rental income	-	-	30,000	30,000
Charge for services	449,261	-	-	449,261
Interest revenue	30,576	912	7,443	38,931
Reimbursement	-	144,036	-	144,036
Miscellaneous	24,556	-	1,000	25,556
<b>TOTAL REVENUES</b>	<b>1,653,400</b>	<b>223,173</b>	<b>38,443</b>	<b>1,915,016</b>
<b>EXPENDITURES</b>				
Current operations				
General government	87,595	1,250	15,128	103,973
Public safety	14,277	-	-	14,277
Highways and streets	417,505	-	-	417,505
Public works	544,225	-	-	544,225
Community development	124,081	-	-	124,081
Debt service				
Principal	-	270,000	-	270,000
Interest expense	-	252,513	-	252,513
<b>TOTAL EXPENDITURES</b>	<b>1,187,683</b>	<b>523,763</b>	<b>15,128</b>	<b>1,726,574</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>465,717</b>	<b>(300,590)</b>	<b>23,315</b>	<b>188,442</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	24,685	316,419	-	341,104
Transfers out	(168,818)	-	(110,000)	(278,818)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(144,133)</b>	<b>316,419</b>	<b>(110,000)</b>	<b>62,286</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>321,584</b>	<b>15,829</b>	<b>(86,685)</b>	<b>250,728</b>
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	1,391,929	64,310	403,152	1,859,391
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 1,713,513</b>	<b>\$ 80,139</b>	<b>\$ 316,467</b>	<b>\$ 2,110,119</b>

# CITY OF MANISTEE

## COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2005

	<u>Building Inspector</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Street Improvement</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,846	\$ 437,630	\$ 354,155	\$ 11,503
Investments	-	-	-	-
Receivables				
Accounts	-	-	-	-
Taxes	-	-	-	-
Due from other governments	-	93,144	22,578	25,741
<b>TOTAL ASSETS</b>	<u><u>\$ 2,846</u></u>	<u><u>\$ 530,774</u></u>	<u><u>\$ 376,733</u></u>	<u><u>\$ 37,244</u></u>
<b>LIABILITIES</b>				
Accounts payable	\$ 28	\$ 1,394	\$ -	\$ -
Deferred revenue	-	-	-	-
Due to other funds	-	4,280	-	-
<b>TOTAL LIABILITIES</b>	<u>28</u>	<u>5,674</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Unreserved				
Designated for subsequent years' expenditures	-	88,655	-	-
Undesignated	2,818	436,445	376,733	37,244
<b>TOTAL FUND BALANCES</b>	<u>2,818</u>	<u>525,100</u>	<u>376,733</u>	<u>37,244</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 2,846</u></u>	<u><u>\$ 530,774</u></u>	<u><u>\$ 376,733</u></u>	<u><u>\$ 37,244</u></u>



<b>City Refuse</b>	<b>EPA Brownfield Pilot Grant</b>	<b>Criminal Justice</b>	<b>Local Revenue Sharing</b>
\$ 470,046	\$ 5,674	\$ 1,379	\$ 88,499
50,000	-	-	-
17,016	-	-	-
539	-	-	-
-	8,480	-	-
<b>\$ 537,601</b>	<b>\$ 14,154</b>	<b>\$ 1,379</b>	<b>\$ 88,499</b>
\$ 21,957	\$ 55	\$ -	\$ 742
-	-	-	-
-	14,096	-	-
<b>21,957</b>	<b>14,151</b>	<b>-</b>	<b>742</b>
106,000	-	800	800
409,644	3	579	86,957
<b>515,644</b>	<b>3</b>	<b>1,379</b>	<b>87,757</b>
<b>\$ 537,601</b>	<b>\$ 14,154</b>	<b>\$ 1,379</b>	<b>\$ 88,499</b>

Continued...

# CITY OF MANISTEE

## COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2005

	Maple Street Bridge	Riverwalk Maintenance	Special Assessment	Neighborhood Preservation Rental
<b>ASSETS</b>				
Cash and cash equivalents	\$ 20,650	\$ 123,492	\$ 1,116	\$ -
Investments	-	-	-	-
Receivables				
Accounts	6,725	-	-	-
Taxes	-	-	37,960	-
Due from other governments	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 27,375</b>	<b>\$ 123,492</b>	<b>\$ 39,076</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	29,988	-
Due to other funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>29,988</b>	<b>-</b>
<b>FUND BALANCES</b>				
Unreserved				
Designated for subsequent years' expenditures	-	-	-	-
Undesignated	27,375	123,492	9,088	-
<b>TOTAL FUND BALANCES</b>	<b>27,375</b>	<b>123,492</b>	<b>9,088</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 27,375</b>	<b>\$ 123,492</b>	<b>\$ 39,076</b>	<b>\$ -</b>

Neighborhood Preservation New	Downtown Rehab	Ramsdell Theatre Restoration	State of Michigan Fire Insurance Fund	Total
\$ -	\$ 873	\$ -	\$ 6,880	\$ 1,524,743
-	-	-	-	50,000
-	-	-	-	23,741
-	-	-	-	38,499
-	-	-	-	149,943
<b>\$ -</b>	<b>\$ 873</b>	<b>\$ -</b>	<b>\$ 6,880</b>	<b>\$ 1,786,926</b>
\$ -	\$ -	\$ -	\$ -	\$ 24,176
-	873	-	-	30,861
-	-	-	-	18,376
-	873	-	-	73,413
-	-	-	-	196,255
-	-	-	6,880	1,517,258
-	-	-	6,880	1,713,513
<b>\$ -</b>	<b>\$ 873</b>	<b>\$ -</b>	<b>\$ 6,880</b>	<b>\$ 1,786,926</b>

Concluded

**CITY OF MANISTEE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Building Inspector</b>	<b>Major Street</b>	<b>Local Street</b>	<b>Street Improvement</b>
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	-	440,400	139,562	-
Charge for services	10,701	155,379	-	35,671
Interest revenue	53	6,192	5,355	1,254
Miscellaneous revenue	-	-	-	-
<b>TOTAL REVENUES</b>	<b>10,754</b>	<b>601,971</b>	<b>144,917</b>	<b>36,925</b>
<b>EXPENDITURES</b>				
Current operations				
General government	-	-	-	-
Public safety	10,402	-	-	-
Highways and streets	-	-	-	39,200
Construction	-	3,530	-	-
Routine maintenance	-	183,368	49,552	-
Winter maintenance	-	79,680	37,646	-
Traffic services	-	7,640	1,554	-
Other	-	15,335	-	-
Public works	-	-	-	-
Community development	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>10,402</b>	<b>289,553</b>	<b>88,752</b>	<b>39,200</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>352</b>	<b>312,418</b>	<b>56,165</b>	<b>(2,275)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	24,685
Transfers out	-	(141,550)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(141,550)</b>	<b>-</b>	<b>24,685</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>352</b>	<b>170,868</b>	<b>56,165</b>	<b>22,410</b>
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	2,466	354,232	320,568	14,834
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 2,818</b>	<b>\$ 525,100</b>	<b>\$ 376,733</b>	<b>\$ 37,244</b>

<b>City Refuse</b>	<b>EPA Brownfield Pilot Grant</b>	<b>Criminal Justice</b>	<b>Local Revenue Sharing</b>
\$ 330,849	\$ -	\$ -	\$ -
-	81,235	-	-
-	-	2,894	-
126,837	-	-	108,475
14,700	-	44	186
17,676	-	-	-
<b>490,062</b>	<b>81,235</b>	<b>2,938</b>	<b>108,661</b>
-	-	-	55,095
-	-	3,875	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
462,993	81,232	-	-
-	-	-	-
<b>462,993</b>	<b>81,232</b>	<b>3,875</b>	<b>55,095</b>
<b>27,069</b>	<b>3</b>	<b>(937)</b>	<b>53,566</b>
-	-	-	-
-	-	-	-
-	-	-	-
<b>27,069</b>	<b>3</b>	<b>(937)</b>	<b>53,566</b>
488,575	-	2,316	34,191
<b>\$ 515,644</b>	<b>\$ 3</b>	<b>\$ 1,379</b>	<b>\$ 87,757</b>

Continued...

**CITY OF MANISTEE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Maple Street Bridge</u>	<u>Riverwalk Maintenance</u>	<u>Special Assessment</u>	<u>Neighborhood Preservation Rental</u>
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	35,735
State sources	-	-	-	-
Charge for services	9,750	-	2,448	-
Interest revenue	286	2,471	35	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>10,036</u>	<u>2,471</u>	<u>2,483</u>	<u>35,735</u>
<b>EXPENDITURES</b>				
Current operations				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Construction	-	-	-	-
Routine maintenance	-	-	-	-
Winter maintenance	-	-	-	-
Traffic services	-	-	-	-
Other	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	39,471
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,471</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>10,036</u>	<u>2,471</u>	<u>2,483</u>	<u>(3,736)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	(24,685)	(1,361)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(24,685)</u>	<u>(1,361)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>10,036</u>	<u>2,471</u>	<u>(22,202)</u>	<u>(5,097)</u>
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	17,339	121,021	31,290	5,097
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 27,375</u>	<u>\$ 123,492</u>	<u>\$ 9,088</u>	<u>\$ -</u>

<b>Neighborhood Preservation New</b>	<b>Downtown Rehab</b>	<b>Ramsdell Theatre Restoration</b>	<b>State of Michigan Fire Insurance Fund</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ 330,849
48,558	37,274	-	-	202,802
-	-	32,500	-	615,356
-	-	-	-	449,261
-	-	-	-	30,576
-	-	-	6,880	24,556
<b>48,558</b>	<b>37,274</b>	<b>32,500</b>	<b>6,880</b>	<b>1,653,400</b>
-	-	32,500	-	87,595
-	-	-	-	14,277
-	-	-	-	39,200
-	-	-	-	3,530
-	-	-	-	232,920
-	-	-	-	117,326
-	-	-	-	9,194
-	-	-	-	15,335
-	-	-	-	544,225
47,336	37,274	-	-	124,081
<b>47,336</b>	<b>37,274</b>	<b>32,500</b>	<b>-</b>	<b>1,187,683</b>
<b>1,222</b>	<b>-</b>	<b>-</b>	<b>6,880</b>	<b>465,717</b>
-	-	-	-	24,685
(1,222)	-	-	-	(168,818)
<b>(1,222)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(144,133)</b>
-	-	-	6,880	321,584
-	-	-	-	1,391,929
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,880</b>	<b>\$ 1,713,513</b>

Concluded

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
BUILDING INSPECTOR  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Charge for services	\$ 25,000	\$ 15,000	\$ 10,701	\$ (4,299)
Interest revenue	50	50	53	3
<b>TOTAL REVENUES</b>	<b>25,050</b>	<b>15,050</b>	<b>10,754</b>	<b>(4,296)</b>
<b>EXPENDITURES</b>				
Public safety	22,650	12,650	10,402	(2,248)
<b>NET CHANGE IN FUND BALANCE</b>	<b>2,400</b>	<b>2,400</b>	<b>352</b>	<b>(2,048)</b>
FUND BALANCE, BEGINNING OF YEAR	2,466	2,466	2,466	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 4,866</b>	<b>\$ 4,866</b>	<b>\$ 2,818</b>	<b>\$ (2,048)</b>



**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
MAJOR STREET  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
State sources	\$ 370,000	\$ 370,000	\$ 440,400	\$ 70,400
Charge for services	125,000	125,000	155,379	30,379
Interest revenue	1,500	1,500	6,192	4,692
<b>TOTAL REVENUES</b>	<b>496,500</b>	<b>496,500</b>	<b>601,971</b>	<b>105,471</b>
<b>EXPENDITURES</b>				
Highways and streets	310,000	320,000	289,553	(30,447)
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>186,500</b>	<b>176,500</b>	<b>312,418</b>	<b>135,918</b>
<b>OTHER FINANCING USES</b>				
Transfers out	(141,550)	(141,550)	(141,550)	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>44,950</b>	<b>34,950</b>	<b>170,868</b>	<b>135,918</b>
FUND BALANCE, BEGINNING OF YEAR, AS RESTATE	354,232	354,232	354,232	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 399,182</b>	<b>\$ 389,182</b>	<b>\$ 525,100</b>	<b>\$ 135,918</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
LOCAL STREET  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
State sources	\$ 133,000	\$ 133,000	\$ 139,562	\$ 6,562
Interest revenue	1,500	1,500	5,355	3,855
<b>TOTAL REVENUES</b>	<b>134,500</b>	<b>134,500</b>	<b>144,917</b>	<b>10,417</b>
<b>EXPENDITURES</b>				
Highways and streets	120,000	120,000	88,752	(31,248)
<b>NET CHANGE IN FUND BALANCE</b>	<b>14,500</b>	<b>14,500</b>	<b>56,165</b>	<b>41,665</b>
FUND BALANCE, BEGINNING OF YEAR	320,568	320,568	320,568	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 335,068</b>	<b>\$ 335,068</b>	<b>\$ 376,733</b>	<b>\$ 41,665</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
STREET IMPROVEMENT  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Charge for services	\$ 37,500	\$ 37,500	\$ 35,671	\$ (1,829)
Interest revenue	250	250	1,254	1,004
<b>TOTAL REVENUES</b>	<b>37,750</b>	<b>37,750</b>	<b>36,925</b>	<b>(825)</b>
<b>EXPENDITURES</b>				
Highways and streets	50,000	50,000	39,200	(10,800)
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(12,250)</b>	<b>(12,250)</b>	<b>(2,275)</b>	<b>9,975</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	15,000	15,000	24,685	9,685
<b>NET CHANGE IN FUND BALANCE</b>	<b>2,750</b>	<b>2,750</b>	<b>22,410</b>	<b>19,660</b>
FUND BALANCE, BEGINNING OF YEAR	14,834	14,834	14,834	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 17,584</b>	<b>\$ 17,584</b>	<b>\$ 37,244</b>	<b>\$ 19,660</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
CITY REFUSE  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Taxes	\$ 350,000	\$ 350,000	\$ 330,849	\$ (19,151)
Charge for services	127,500	127,500	126,837	(663)
Interest revenue	8,500	8,500	14,700	6,200
Miscellaneous	-	-	17,676	17,676
<b>TOTAL REVENUES</b>	<b>486,000</b>	<b>486,000</b>	<b>490,062</b>	<b>4,062</b>
<b>EXPENDITURES</b>				
Public works	486,000	486,000	462,993	(23,007)
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>27,069</b>	<b>27,069</b>
FUND BALANCE, BEGINNING OF YEAR	488,575	488,575	488,575	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 488,575</b>	<b>\$ 488,575</b>	<b>\$ 515,644</b>	<b>\$ 27,069</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
EPA BROWNFIELD PILOT GRANT  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

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	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Federal sources	\$ 150,000	\$ 150,000	\$ 81,235	\$ (68,765)
<b>EXPENDITURES</b>				
Public works	150,000	150,000	81,232	(68,768)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	<b>3</b>	<b>3</b>
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3</b>	<b>\$ 3</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
CRIMINAL JUSTICE  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
State sources	\$ 3,500	\$ 3,500	\$ 2,894	\$ (606)
Interest revenue	-	-	44	44
<b>TOTAL REVENUES</b>	<b>3,500</b>	<b>3,500</b>	<b>2,938</b>	<b>(562)</b>
<b>EXPENDITURES</b>				
Public safety	5,000	5,000	3,875	(1,125)
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,500)</b>	<b>(1,500)</b>	<b>(937)</b>	<b>563</b>
FUND BALANCE, BEGINNING OF YEAR	2,316	2,316	2,316	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 816</b>	<b>\$ 816</b>	<b>\$ 1,379</b>	<b>\$ 563</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
LOCAL REVENUE SHARING  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Charge for services	\$ -	\$ 108,475	\$ 108,475	\$ -
Interest revenue	-	1,525	186	(1,339)
<b>TOTAL REVENUES</b>	<b>-</b>	<b>110,000</b>	<b>108,661</b>	<b>(1,339)</b>
<b>EXPENDITURES</b>				
General government	-	170,000	55,095	(114,905)
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(60,000)</b>	<b>53,566</b>	<b>113,566</b>
FUND BALANCE, BEGINNING OF YEAR	34,191	34,191	34,191	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 34,191</b>	<b>\$ (25,809)</b>	<b>\$ 87,757</b>	<b>\$ 113,566</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
MAPLE STREET BRIDGE  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

---

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Charge for services	\$ 5,000	\$ 5,000	\$ 9,750	\$ 4,750
Interest revenue	-	-	286	286
<b>TOTAL REVENUES</b>	<b>5,000</b>	<b>5,000</b>	<b>10,036</b>	<b>5,036</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>5,000</b>	<b>5,000</b>	<b>10,036</b>	<b>5,036</b>
FUND BALANCE, BEGINNING OF YEAR	17,339	17,339	17,339	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 22,339</b>	<b>\$ 22,339</b>	<b>\$ 27,375</b>	<b>\$ 5,036</b>



**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
RIVERWALK MAINTENANCE  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

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	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Interest revenue	\$ 2,000	\$ 2,000	\$ 2,471	\$ 471
<b>NET CHANGE IN FUND BALANCE</b>	<b>2,000</b>	<b>2,000</b>	<b>2,471</b>	<b>471</b>
FUND BALANCE, BEGINNING OF YEAR	121,021	121,021	121,021	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 123,021</b>	<b>\$ 123,021</b>	<b>\$ 123,492</b>	<b>\$ 471</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
SPECIAL ASSESSMENT  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Charge for services	\$ 5,000	\$ 5,000	\$ 2,448	\$ (2,552)
Interest revenue	-	-	35	35
<b>TOTAL REVENUES</b>	<b>5,000</b>	<b>5,000</b>	<b>2,483</b>	<b>(2,517)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(5,000)	(27,000)	(24,685)	2,315
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(22,000)</b>	<b>(22,202)</b>	<b>(202)</b>
FUND BALANCE, BEGINNING OF YEAR	31,290	31,290	31,290	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 31,290</b>	<b>\$ 9,290</b>	<b>\$ 9,088</b>	<b>\$ (202)</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
NEIGHBORHOOD PRESERVATION RENTAL  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Federal sources	\$ -	\$ 21,000	\$ 35,735	\$ 14,735
<b>EXPENDITURES</b>				
Community development	-	41,000	39,471	(1,529)
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	(20,000)	(3,736)	16,264
<b>OTHER FINANCING (USES)</b>				
Transfers out	-	(2,000)	(1,361)	639
<b>NET CHANGE IN FUND BALANCE</b>	-	(22,000)	(5,097)	16,903
FUND BALANCE, BEGINNING OF YEAR	5,097	5,097	5,097	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 5,097</b>	<b>\$ (16,903)</b>	<b>\$ -</b>	<b>\$ 16,903</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
NEIGHBORHOOD PRESERVATION NEW  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Federal sources	\$ -	\$ 38,000	\$ 48,558	\$ 10,558
<b>EXPENDITURES</b>				
Community development	-	48,000	47,336	(664)
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	(10,000)	1,222	11,222
<b>OTHER FINANCING (USES)</b>				
Transfers out	-	(2,000)	(1,222)	778
<b>NET CHANGE IN FUND BALANCE</b>	-	(12,000)	-	12,000
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ (12,000)</b>	<b>\$ -</b>	<b>\$ 12,000</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
DOWNTOWN REHABILITATION  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

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	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Federal sources	\$ -	\$ 30,000	\$ 37,274	\$ 7,274
<b>EXPENDITURES</b>				
Community development	-	30,000	37,274	7,274
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MANISTEE

SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
RAMSDELL THEATRE RESTORATION  
NONMAJOR SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>REVENUES</b>				
State sources	\$ -	\$ 32,500	\$ 32,500	\$ -
<b>EXPENDITURES</b>				
General government	-	32,500	32,500	-
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF MANISTEE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
STATE OF MICHIGAN FIRE INSURANCE  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Miscellaneous revenue	\$ -	\$ -	\$ 6,880	\$ 6,880
<b>NET CHANGE IN FUND BALANCE</b>	-	-	6,880	6,880
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,880</u></u>	<u><u>\$ 6,880</u></u>

**CITY OF MANISTEE**

**COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS**

**JUNE 30, 2005**

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	<b>Debt Service Fund</b>	<b>Fire Truck</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents (equal to fund balance reserved for debt retirement)	<u><u>\$ 9,712</u></u>	<u><u>\$ 70,427</u></u>	<u><u>\$ 80,139</u></u>



# CITY OF MANISTEE

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Debt Service Fund	Fire Truck	Total
<b>REVENUES</b>			
Taxes	\$ -	\$ 78,225	\$ 78,225
Reimbursement	144,036	-	144,036
Interest revenue	-	912	912
<b>TOTAL REVENUES</b>	<b>144,036</b>	<b>79,137</b>	<b>223,173</b>
<b>EXPENDITURES</b>			
General government	1,250	-	1,250
Debt service			
Principal	215,000	55,000	270,000
Interest expense	245,455	7,058	252,513
<b>TOTAL EXPENDITURES</b>	<b>461,705</b>	<b>62,058</b>	<b>523,763</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(317,669)	17,079	(300,590)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	316,419	-	316,419
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,250)</b>	<b>17,079</b>	<b>15,829</b>
FUND BALANCES, BEGINNING OF YEAR	10,962	53,348	64,310
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 9,712</b>	<b>\$ 70,427</b>	<b>\$ 80,139</b>

**CITY OF MANISTEE**

**COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECT FUNDS**

**JUNE 30, 2005**

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	<b><u>Building Authority</u></b>	<b><u>Industrial Park</u></b>	<b><u>Renaissance Park</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>				
Cash and cash equivalents (equal to reserved fund balances for capital projects.)	<b><u>\$ 29,040</u></b>	<b><u>\$ 203,098</u></b>	<b><u>\$ 84,329</u></b>	<b><u>\$ 316,467</u></b>

# CITY OF MANISTEE

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR CAPITAL PROJECT FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Building Authority	Industrial Park	Renaissance Park	Total
<b>REVENUES</b>				
Rental income	\$ 30,000	\$ -	\$ -	\$ 30,000
Interest revenue	1,643	4,513	1,287	7,443
Miscellaneous	-	1,000	-	1,000
<b>TOTAL REVENUES</b>	<b>31,643</b>	<b>5,513</b>	<b>1,287</b>	<b>38,443</b>
<b>EXPENDITURES</b>				
General government	49	15,079	-	15,128
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>31,594</b>	<b>(9,566)</b>	<b>1,287</b>	<b>23,315</b>
<b>OTHER FINANCING (USES)</b>				
Transfers out	(110,000)	-	-	(110,000)
<b>NET CHANGE IN FUND BALANCES</b>	<b>(78,406)</b>	<b>(9,566)</b>	<b>1,287</b>	<b>(86,685)</b>
FUND BALANCES, BEGINNING OF YEAR	107,446	212,664	83,042	403,152
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 29,040</b>	<b>\$ 203,098</b>	<b>\$ 84,329</b>	<b>\$ 316,467</b>

# CITY OF MANISTEE

## COMBINING STATEMENT OF NET ASSETS NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2005

	<b>Boat Ramp Fund</b>	<b>Marina Fund</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 8,451	\$ 33,573	\$ 42,024
Accounts receivables	-	1,255	1,255
Prepaid items	102	353	455
Inventory	-	8,970	8,970
<b>Total current assets</b>	<b>8,553</b>	<b>44,151</b>	<b>52,704</b>
<b>Long-term assets</b>			
Capital assets (net of accumulated depreciation)	64,989	368,310	433,299
<b>TOTAL ASSETS</b>	<b>73,542</b>	<b>412,461</b>	<b>486,003</b>
<b>LIABILITIES</b>			
Accounts payable	-	16,225	16,225
Accrued liabilities	300	1,154	1,454
<b>TOTAL LIABILITIES</b>	<b>300</b>	<b>17,379</b>	<b>17,679</b>
<b>NET ASSETS</b>			
Invested in capital assets	64,989	368,310	433,299
Unrestricted	8,253	26,772	35,025
<b>TOTAL NET ASSETS</b>	<b>\$ 73,242</b>	<b>\$ 395,082</b>	<b>\$ 468,324</b>

# CITY OF MANISTEE

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS NONMAJOR ENTERPRISE FUNDS

**FOR THE YEAR ENDED JUNE 30, 2005**

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	<u>Boat Ramp</u>	<u>Marina</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 41,348	\$ 111,319	\$ 152,667
<b>OPERATING EXPENSES</b>			
Boat ramp operations	55,025	-	55,025
Marina operations	-	103,435	103,435
Depreciation	-	20,945	20,945
<b>TOTAL OPERATING EXPENSES</b>	<u>55,025</u>	<u>124,380</u>	<u>179,405</u>
<b>OPERATING LOSS</b>	<u>(13,677)</u>	<u>(13,061)</u>	<u>(26,738)</u>
<b>NON-OPERATING REVENUE</b>			
Interest revenue	1,810	549	2,359
<b>CHANGE IN NET ASSETS</b>	(11,867)	(12,512)	(24,379)
NET ASSETS, BEGINNING OF YEAR	85,109	407,594	492,703
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 73,242</u></u>	<u><u>\$ 395,082</u></u>	<u><u>\$ 468,324</u></u>

# CITY OF MANISTEE

## COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	<b>Boat Ramp</b>	<b>Marina</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 41,348	\$ 110,797	\$ 152,145
Cash payments to employees	(13,196)	(27,516)	(40,712)
Cash payments to suppliers for goods and services	(44,225)	(65,578)	(109,803)
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(16,073)</b>	<b>17,703</b>	<b>1,630</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(64,989)	(85,491)	(150,480)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest revenue	1,810	549	2,359
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(79,252)</b>	<b>(67,239)</b>	<b>(146,491)</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	87,703	100,812	188,515
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 8,451</b>	<b>\$ 33,573</b>	<b>\$ 42,024</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating loss	\$ (13,677)	\$ (13,061)	\$ (26,738)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	-	20,945	20,945
Changes in assets and liabilities			
Accounts receivable	-	(522)	(522)
Prepaid items	(53)	(207)	(260)
Inventory	-	(886)	(886)
Accounts payable	(1,814)	13,019	11,205
Accrued liabilities	(529)	(1,585)	(2,114)
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ (16,073)</b>	<b>\$ 17,703</b>	<b>\$ 1,630</b>

**CITY OF MANISTEE, MICHIGAN**

**COMBINING BALANCE SHEET  
AGENCY FUNDS**

**JUNE 30, 2005**

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	<b>Tax Collection</b>	<b>Payroll</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	<b>\$ 20,166</b>	<b>\$ 35,112</b>	<b>\$ 55,278</b>
<b>LIABILITIES</b>			
Accrued liabilities	\$ -	\$ 35,112	\$ 35,112
Due to other governments	20,166	-	20,166
<b>TOTAL LIABILITIES</b>	<b>\$ 20,166</b>	<b>\$ 35,112</b>	<b>\$ 55,278</b>

# CITY OF MANISTEE

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b>TAX COLLECTION</b>				
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 21,096</u>	<u>\$ 9,157,986</u>	<u>\$ 9,158,916</u>	<u>\$ 20,166</u>
<b>LIABILITIES</b>				
Due to other governments	<u>\$ 21,096</u>	<u>\$ 9,157,986</u>	<u>\$ 9,158,916</u>	<u>\$ 20,166</u>
<b>PAYROLL</b>				
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 53,750</u>	<u>\$ 5,087,476</u>	<u>\$ 5,106,114</u>	<u>\$ 35,112</u>
<b>LIABILITIES</b>				
Accrued liabilities	<u>\$ 53,750</u>	<u>\$ 5,087,476</u>	<u>\$ 5,106,114</u>	<u>\$ 35,112</u>
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 74,846</u>	<u>\$ 14,245,462</u>	<u>\$ 14,265,030</u>	<u>\$ 55,278</u>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 53,750	\$ 5,087,476	\$ 5,106,114	\$ 35,112
Due to other governments	<u>21,096</u>	<u>9,157,986</u>	<u>9,158,916</u>	<u>20,166</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 74,846</u>	<u>\$ 14,245,462</u>	<u>\$ 14,265,030</u>	<u>\$ 55,278</u>



# **CITY OF MANISTEE**

## **BALANCE SHEET COMPONENT UNIT - LOCAL DISTRICT FINANCE AUTHORITY**

**JUNE 30, 2005**

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### **ASSETS**

Cash and cash equivalents (equal to fund balance unreserved  
and undesignated)

\$ -

# CITY OF MANISTEE

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPONENT UNIT - LOCAL DISTRICT FINANCE AUTHORITY FOR THE YEAR ENDED JUNE 30, 2005

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<b>REVENUES</b>	
Interest revenue	\$ 1,595
Miscellaneous	<u>2,386</u>
<b>TOTAL REVENUES</b>	<b><u>3,981</u></b>
<b>EXPENDITURES</b>	
Economic development	<u>208,137</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(204,156)</b>
FUND BALANCE, BEGINNING OF YEAR	<u>204,156</u>
<b>FUND BALANCE, END OF YEAR</b>	<b><u>\$ -</u></b>

# **CITY OF MANISTEE**

## **STATEMENT OF NET ASSETS COMPONENT UNIT - RAMSDELL THEATRE**

**JUNE 30, 2005**

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### **ASSETS**

Cash and cash equivalents	\$	15,834
Grants receivable		9,200
Promises to give		<u>3,136</u>

<b>TOTAL ASSETS (agrees to unrestricted net assets)</b>	<b>\$</b>	<b><u><u>28,170</u></u></b>
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# CITY OF MANISTEE

## STATEMENT OF ACTIVITIES COMPONENT UNIT - RAMSDELL THEATRE

FOR THE YEAR ENDED JUNE 30, 2005

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### REVENUES AND SUPPORT

Contributions	\$ 21,368
Appropriations - City of Manistee	25,000
State grants	22,200
Interest earned	<u>106</u>

### TOTAL REVENUE AND SUPPORT

**68,674**

### EXPENSES

Program services	11,590
Management and general	2,185
Debt service	
Interest expense	<u>1,293</u>

### TOTAL EXPENSES

**15,068**

### CHANGE IN NET ASSETS

**53,606**

NET ASSETS (DEFICIT), BEGINNING OF YEAR

(25,436)

NET ASSETS, END OF YEAR

**\$ 28,170**



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**

*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND ON OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

November 2, 2005

The Honorable Mayor and  
Members of the City Council  
City of Manistee  
Manistee, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Manistee, Michigan* (the "City") as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the City of Manistee's Housing Commission and Downtown Development Authority discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on those financial statements insofar as it relates to the amounts included for the City of Manistee's Housing Commission and Downtown Development Authority discretely presented component units is based on the reports of other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting that, in our judgment could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The reportable condition is described as follows:

There is limited segregation of duties over billing and collection of utility receipts. The City recognizes this risk, and will be implementing additional review procedures over the billing process.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of *City of Manistee*, in a separate letter dated November 2, 2005.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, members of the City Council, others within the organization, federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style.



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**

*An Independent Member of Baker Tilly International*

September 30, 2005

City Council  
Manistee, Michigan

In planning and performing our audit of the financial statements of the ***City of Manistee*** (the "City") as of and for the year ended June 30, 2005, we considered the City's internal control structure to determine our auditing procedures for the purpose of forming opinions on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of some matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 2, 2005 on the financial statements of the ***City of Manistee***.

We will review the status of these comments and suggestions during our next audit engagement. We have already discussed these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Rehmann Robson*

# **CITY OF MANISTEE**

## **COMMENTS AND RECOMMENDATIONS**

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### **A) Fixed assets**

The City does not have a formal fixed assets policy or a fixed asset depreciation software program and is currently maintaining fixed asset records in Microsoft excel for the government-wide financial (non water/wastewater fixed assets) statements. GASB 34 requirements make tracking government-wide fixed assets and the related depreciation a necessity. There are a number of inexpensive fixed asset depreciation software packages available that could make the task of fixed asset record keeping easier. We recommend that management investigate purchasing a depreciation software package. (Management has purchased fixed asset software and is currently working on maintaining the ledger.)

### **B) Segregation of duties**

Currently, the City has a reportable conditions resulting from a lack of segregation of duties and a lack of appropriate review and approval processes in the following area:

- The water and sewer utility transactions are being processed by one individual. This individual obtains the download of the meter readings and prepares and posts the utility billings and collections. In addition, this same individual is making billing adjustments as deemed necessary and posting those adjustments to the City accounts except for credit memorandums which are reviewed monthly by the City Treasurer. This lack of segregation of duties, mainly in the area of review and approval of transactions, could allow an employee to make adjustments inappropriately, which may result in a misappropriation of City assets. We recommend that adjustments along with credit memorandums to customer billings be reviewed and approved as evidenced by initials or the signature of management prior to the processing of billings or the recording of adjustments.

The City has sufficient internal controls in place, except what is mentioned above, however, if there was another person to be added to the accounting department, it would significantly strengthen internal controls. It would strengthen the following functions, the employee who processes payable would not to be part of the bank reconciliation process, which would allow separation of record keeping and custody of assets, allow the utility billing and receipting functions to be separate, monitor and track outstanding receivables such as delinquent personal property taxes, review the general ledger detail to ensure accurate coding, proper journal entries are made, and monitor financial standing and perform future financial forecasting.



# **CITY OF MANISTEE**

## **COMMENTS AND RECOMMENDATIONS**

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### **C) Escheat checks to the State**

During our audit procedures we noted outstanding checks greater than two years are being recorded into miscellaneous revenue. The State recommends “holders of unclaimed or uncalled for property (Example outstanding checks) can divest themselves of responsibility and accountability for such property by transferring such property to Escheats Division, Department of Treasury.” We recommend any outstanding check greater than two years not to be recorded as miscellaneous revenue but be remitted to the State’s Escheats Division. Procedural directions of how to do this are located at the State’s website.

### **D) Marina**

Currently, each employee at the Marina knows the combination to the safe where cash is kept overnight. Allowing this type of access to the cash receipts increases the possibility of these funds being misappropriated. We recommend reduce the people aware of the combination to the combination to the safe. This would decrease the possibility of funds being misappropriated and it would allow the City to be more aware of who would be responsible if such an instance did occur.